

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

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Eddyville-Blakesburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2003 election)</b>		
Dan Hulbert	President	2003
Cindy Donohue	Vice President	2005
Lawrence Smith	Board Member	2005
Ray Morrison	Board Member	2003
David Friedman	Board Member	2005
Ron Shafer	Board Member	2004
Richard Lettington	Board Member	2004
<b>Board of Education (After September 2003 election)</b>		
Ron Shafer	President	2004
Cindy Donohue	Vice President	2005
Richard Lettington	Board Member	2004
Lawrence Smith	Board Member	2005
David Friedman	Board Member	2005
Ray Morrison	Board Member	2006
Joleen Smith	Board Member	2006
<b>School Officials</b>		
Dr. Wayne Sesker	Interim Superintendent	2004
Martha McGlothlen	District Secretary/ Treasurer (Retired)	2004
Theresa Bambrook	District Secretary/ Treasurer (Appointed)	2004
Richard Gaumer	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  
Eddyville-Blakesburg 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 Eddyville-Blakesburg 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 Eddyville-Blakesburg 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.

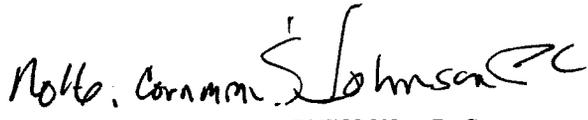
As described in Note 9 to the financial statements, during the year ended June 30, 2004, Eddyville-Blakesburg Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; 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 report dated October 1, 2004 on our consideration of the Eddyville-Blakesburg Community School District's internal control over

financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. 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 12 and 34 through 37 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 Eddyville-Blakesburg 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.

October 1, 2004

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

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

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

### **2004 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$6,833,603 in fiscal 2003 to \$6,328,203 in fiscal 2004, while General Fund expenditures increased from \$6,502,024 in fiscal 2003 to \$6,653,233 in fiscal 2004. This resulted in a decrease in the District's General Fund balance from \$723,956 in fiscal 2003 to a balance of \$398,926 in fiscal 2004, a 44.90% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in property tax and other local sources in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and an increase in equipment.
- A decline in interest rates during the past fiscal year, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone to decrease from \$19,933 in fiscal year 2003 to \$12,867 in fiscal year 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 Eddyville-Blakesburg 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 Eddyville-Blakesburg 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 Eddyville-Blakesburg 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.

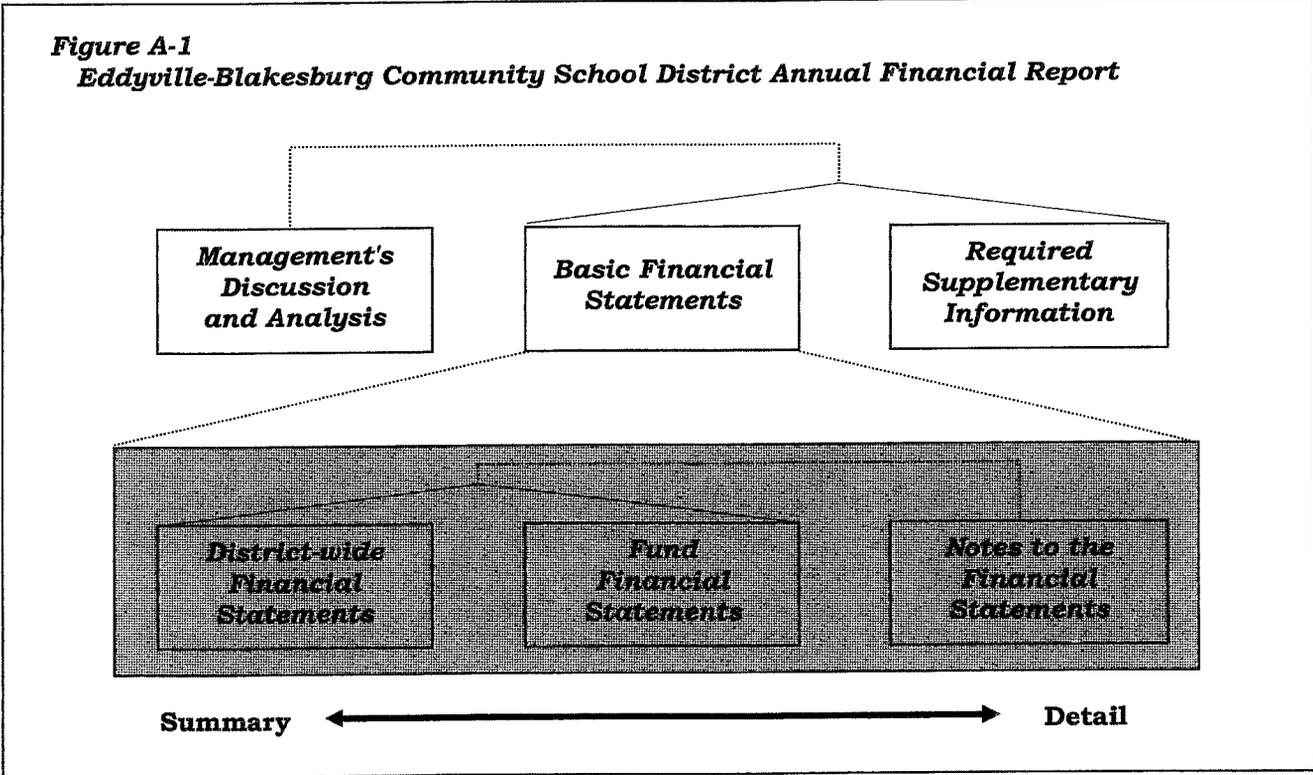


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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

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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, 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 Child Care Fund. The District also has an Internal Service 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 Activities 2004	Business-type Activities 2004	Total School District 2004
Current and other assets	\$ 4,672,162	37,443	4,709,605
Capital assets	4,470,196	27,560	4,497,756
Total assets	<u>9,142,358</u>	<u>65,003</u>	<u>9,207,361</u>
Long-term obligations	608,382	0	608,382
Other liabilities	3,752,749	133,684	3,886,433
Total liabilities	<u>4,361,131</u>	<u>133,684</u>	<u>4,494,815</u>
Net assets:			
Invested in capital assets, net of related debt	4,470,196	27,560	4,497,756
Restricted	435,644	0	435,644
Unrestricted	(124,613)	(96,241)	(220,854)
Total net assets	<u>\$ 4,781,227</u>	<u>(68,681)</u>	<u>4,712,546</u>

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

Figure A-4  
Changes of Net Assets

	Governmental	Business-type	Total
	Activities	Activities	School District
	2004	2004	2004
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,010,750	439,893	1,450,643
Operating grants and contributions and restricted interest	821,713	205,376	1,027,089
Operating grants and contributions and restricted interest	25,000	0	25,000
General revenues:			
Property tax	2,998,383	0	2,998,383
Local option sales and services tax	125,589	0	125,589
Unrestricted state grants	2,157,603	0	2,157,603
Other	32,410	91	32,501
<b>Total revenues</b>	<b>7,171,448</b>	<b>645,360</b>	<b>7,816,808</b>
<b>Program expenses:</b>			
Governmental activities:			
Instructional	4,531,018	0	4,531,018
Support services	2,511,219	0	2,511,219
Non-instructional programs	91,087	650,522	741,609
Other expenses	471,091	0	471,091
<b>Total expenses</b>	<b>7,604,415</b>	<b>650,522</b>	<b>8,254,937</b>
Changes in net assets	(432,967)	(5,162)	(438,129)
Beginning net assets	5,214,194	(63,519)	5,150,675
Ending net assets	\$ 4,781,227	(68,681)	4,712,546

Property tax, local option sales and services tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 85% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$7,171,448 and expenses were \$7,604,415.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 4,531,018	2,921,842
Support services	2,511,219	2,506,173
Non-instructional programs	91,087	91,087
Other expenses	471,091	227,850
<b>Totals</b>	<b>\$ 7,604,415</b>	<b>5,746,952</b>

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- The cost financed by users of the District's programs was \$1,010,750.
  - Federal and state governments subsidized certain programs with grants and contributions totaling \$846,713.
  - The net cost of governmental activities was financed with \$2,998,393 in property tax, \$125,589 in local option sales and services tax, \$2,157,603 in state foundation aid and \$32,410 in interest income.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$645,360 and expenses were \$650,522. 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 Eddyville-Blakesburg 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 \$691,797, below last year's ending fund balances of a \$833,144. However, the primary reason for the decrease in combined fund balances in fiscal 2004 is due to the increase in General Fund expenditures.

### **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position from \$723,956 to \$398,926 is the product of many factors:
  - Reduction in local sources as well as a decrease in tax revenue during the year resulted in a decrease in revenues.
  - The District had expenditures relating to the student built home however, the house sale did not take place until fiscal year 2005.
  - The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from a deficit \$352,411 in fiscal 2003 to a deficit \$134,308 in fiscal 2004. The District levied less tax revenues compared to the prior year and the District had less expenditures resulting in an increase in fund balance of \$218,103.
- The Capital Projects Fund balance increased from \$167,989 in fiscal 2003 to \$231,474 in fiscal 2004. While revenues remained approximately the same, the District controlled spending to ensure a positive financial position.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$38,241 at June 30, 2003 to \$44,460 at June 30, 2004, representing an increase of 16.26%. The Child Care Fund net assets decreased from a deficit \$101,760 at June 30, 2003 to a deficit \$113,141 at June 30, 2004, representing a decrease of 11.18%.

## BUDGETARY HIGHLIGHTS

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

The District's revenues were \$335,946 less than budgeted revenues, a variance of 4.15%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

The certified budget was exceeded in all functional program areas due to the timing of disbursements paid at year end without sufficient time to amend the certified budget, as well as the District's spending authority.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2004, the District had invested \$4.5 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 4 to the financial statements. Depreciation expense for the year was \$321,540.

The original cost of the District's capital assets was \$10.4 million. Governmental funds account for \$10.3 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 machinery and equipment category. The District's machinery and equipment totaled \$176,256 at June 30, 2004, compared to \$262,211 reported at June 30, 2003. This decrease resulted from the current year depreciation expense exceeding the capital assets purchased for the current year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Land	\$ 54,747	0	54,747
Construction in progress	33,634	0	33,634
Buildings	3,676,258	0	3,676,258
Improvements other than buildings	529,301	0	529,301
Machinery and equipment	176,256	27,560	203,816
Total	\$ 4,470,196	27,560	4,497,756

### Long-Term Debt

At June 30, 2004, the District had \$608,382 in other long-term debt outstanding. This represents an increase of 67.6% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$608,382 at June 30, 2004.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
Early Retirement	\$ 608,382	363,014	67.6%
Totals	<u>\$ 608,382</u>	<u>363,014</u>	<u>67.6%</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's certified enrollment declined last year 12.4 students to 782.3.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2005.
- 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 Toni Cameron, Business Manager, Eddyville-Blakesburg Community School District, 1301 Berdan Street, Eddyville, Iowa, 52553.

BASIC FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,163,814	7,427	1,171,241
Receivables:			
Property tax:			
Delinquent	31,912	0	31,912
Succeeding year	3,082,999	0	3,082,999
Income surtax	163,247	0	163,247
Accounts	677	11,052	11,729
Due from other governments	229,513	5,167	234,680
Inventories	0	13,797	13,797
Capital assets, net of accumulated depreciation (Note 4)	4,470,196	27,560	4,497,756
<b>TOTAL ASSETS</b>	<b>9,142,358</b>	<b>65,003</b>	<b>9,207,361</b>
<b>LIABILITIES</b>			
Excess of warrants issued over bank balances	136,868	127,231	264,099
Accounts payable	28,200	810	29,010
Salaries and benefits payable	504,682	2,324	507,006
Deferred revenue:			
Succeeding year property tax	3,082,999	0	3,082,999
Other	0	3,319	3,319
Long-term liabilities (Note 5):			
Portion due within one year:			
Early retirement payable	120,978	0	120,978
Portion due after one year:			
Early retirement payable	487,404	0	487,404
<b>TOTAL LIABILITIES</b>	<b>4,361,131</b>	<b>133,684</b>	<b>4,494,815</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	4,470,196	27,560	4,497,756
Restricted for:			
Phase III	3,120	0	3,120
Early Intervention	12,499	0	12,499
Talented and Gifted	4,385	0	4,385
Capital projects	231,474	0	231,474
Physical plant and equipment levy	28,939	0	28,939
Other special revenue purposes	155,227	0	155,227
Unrestricted	(124,613)	(96,241)	(220,854)
<b>TOTAL NET ASSETS</b>	<b>\$ 4,781,227</b>	<b>(68,681)</b>	<b>4,712,546</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG 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	\$ 3,115,456	524,459	565,023	0
Special instruction	871,201	114,379	33,403	0
Other instruction	544,361	371,912	0	0
	<u>4,531,018</u>	<u>1,010,750</u>	<u>598,426</u>	<u>0</u>
Support services:				
Student services	164,604	0	0	0
Instructional staff services	219,814	0	0	0
Administration services	880,710	0	0	0
Operation and maintenance of plant services	695,488	0	0	0
Transportation services	550,603	0	5,046	0
	<u>2,511,219</u>	<u>0</u>	<u>5,046</u>	<u>0</u>
Non-instructional programs:				
Food service operations	91,087	0	0	0
Other expenditures:				
Facilities acquisitions	73,163	0	0	25,000
AEA flowthrough	218,241	0	218,241	0
Depreciation (unallocated)*	179,687	0	0	0
	<u>471,091</u>	<u>0</u>	<u>218,241</u>	<u>25,000</u>
Total governmental activities	7,604,415	1,010,750	821,713	25,000
Business-Type activities:				
Non-instructional programs:				
Nutrition services	386,551	222,495	170,184	0
Day care services	263,971	217,398	35,192	0
Total business-type activities	<u>650,522</u>	<u>439,893</u>	<u>205,376</u>	<u>0</u>
Total	<u>\$ 8,254,937</u>	<u>1,450,643</u>	<u>1,027,089</u>	<u>25,000</u>

**General Revenues:**

Property tax levied for:  
  General purposes  
  Capital projects  
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 9)

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
(2,025,974)	0	(2,025,974)
(723,419)	0	(723,419)
(172,449)	0	(172,449)
<u>(2,921,842)</u>	<u>0</u>	<u>(2,921,842)</u>
(164,604)	0	(164,604)
(219,814)	0	(219,814)
(880,710)	0	(880,710)
(695,488)	0	(695,488)
(545,557)	0	(545,557)
<u>(2,506,173)</u>	<u>0</u>	<u>(2,506,173)</u>
(91,087)	0	(91,087)
(48,163)	0	(48,163)
0	0	0
(179,687)	0	(179,687)
<u>(227,850)</u>	<u>0</u>	<u>(227,850)</u>
(5,746,952)	0	(5,746,952)
0	6,128	6,128
0	(11,381)	(11,381)
<u>0</u>	<u>(5,253)</u>	<u>(5,253)</u>
<u>(5,746,952)</u>	<u>(5,253)</u>	<u>(5,752,205)</u>
\$ 2,726,202	0	2,726,202
272,181	0	272,181
125,589	0	125,589
2,157,603	0	2,157,603
32,410	91	32,501
<u>5,313,985</u>	<u>91</u>	<u>5,314,076</u>
(432,967)	(5,162)	(438,129)
<u>5,214,194</u>	<u>(63,519)</u>	<u>5,150,675</u>
<u>\$ 4,781,227</u>	<u>(68,681)</u>	<u>4,712,546</u>

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	General	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 689,402	0	215,861	194,182	1,099,445
Receivables:					
Property tax:					
Delinquent	27,829	2,560	0	1,523	31,912
Succeeding year	2,724,109	133,890	0	225,000	3,082,999
Income surtax	0	163,247	0	0	163,247
Accounts	677	0	0	0	677
Due from other governments	213,816	0	15,697	0	229,513
<b>TOTAL ASSETS</b>	<b>\$ 3,655,833</b>	<b>299,697</b>	<b>231,558</b>	<b>420,705</b>	<b>4,607,793</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Excess of warrants issued over bank balances	\$ 0	136,868	0	0	136,868
Accounts payable	28,116	0	84	0	28,200
Salaries and benefits payable	504,682	0	0	0	504,682
Deferred revenue:					
Succeeding year property tax	2,724,109	133,890	0	225,000	3,082,999
Income surtax	0	163,247	0	0	163,247
Total liabilities	3,256,907	434,005	84	225,000	3,915,996
Fund balances:					
Reserved for:					
Phase III	3,120	0	0	0	3,120
Early Intervention	12,499	0	0	0	12,499
Talented and Gifted	4,385	0	0	0	4,385
Unreserved:					
Undesignated:					
General	378,922	0	0	0	378,922
Physical plant and equipment levy	0	(134,308)	0	0	(134,308)
Capital projects	0	0	231,474	0	231,474
Management levy	0	0	0	40,478	40,478
Other special revenue purposes	0	0	0	155,227	155,227
Total fund balances	398,926	(134,308)	231,474	195,705	691,797
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,655,833</b>	<b>299,697</b>	<b>231,558</b>	<b>420,705</b>	<b>4,607,793</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds (page 16)</b>	\$ 691,797
<b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,470,196
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	163,247
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	64,369
Long-term liabilities, including early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(608,382)</u>
<b>Net assets of governmental activities (page 13)</b>	<u><u>\$ 4,781,227</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Physical	Capital Projects	Other	Total
		Plant and Equipment Levy		Nonmajor Governmental Funds	
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 2,589,016	312,994	125,589	137,186	3,164,785
Tuition	638,838	0	0	0	638,838
Other	146,666	0	4,088	253,568	404,322
State sources	2,666,288	16,070	0	9,563	2,691,921
Federal sources	287,395	25,000	0	0	312,395
Total revenues	<u>6,328,203</u>	<u>354,064</u>	<u>129,677</u>	<u>400,317</u>	<u>7,212,261</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	3,040,313	0	0	34,668	3,074,981
Special instruction	871,201	0	0	0	871,201
Other instruction	357,605	0	0	197,669	555,274
	<u>4,269,119</u>	<u>0</u>	<u>0</u>	<u>232,337</u>	<u>4,501,456</u>
Support services:					
Student services	165,055	0	0	0	165,055
Instructional staff services	219,814	0	0	0	219,814
Administration services	726,477	7,289	0	46,984	780,750
Operation and maintenance of plant services	598,288	0	0	73,427	671,715
Transportation services	456,239	0	0	20,670	476,909
	<u>2,165,873</u>	<u>7,289</u>	<u>0</u>	<u>141,081</u>	<u>2,314,243</u>
Non-instructional programs:					
Food service operations	0	0	0	24,508	24,508
Other expenditures:					
Facilities acquisitions	0	228,968	66,192	0	295,160
AEA flowthrough	218,241	0	0	0	218,241
	<u>218,241</u>	<u>228,968</u>	<u>66,192</u>	<u>0</u>	<u>513,401</u>
Total expenditures	<u>6,653,233</u>	<u>236,257</u>	<u>66,192</u>	<u>397,926</u>	<u>7,353,608</u>
Excess(deficiency) of revenues over (under) expenditures	(325,030)	117,807	63,485	2,391	(141,347)
Other financing sources:					
Transfer in	0	100,296	0	0	100,296
Transfer out	0	0	0	(100,296)	(100,296)
Total other financing sources	<u>0</u>	<u>100,296</u>	<u>0</u>	<u>(100,296)</u>	<u>0</u>
Net change in fund balances	(325,030)	218,103	63,485	(97,905)	(141,347)
Fund balance beginning of year, as restated (Note 9)	723,956	(352,411)	167,989	293,610	833,144
Fund balance end of year	<u>\$ 398,926</u>	<u>(134,308)</u>	<u>231,474</u>	<u>195,705</u>	<u>691,797</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG 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

<b>Net change in fund balances - total governmental funds (page 18)</b>	\$	(141,347)
 <b>Amounts reported for governmental activities in the statement of activities are different because:</b>		
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	\$ 273,404	
Depreciation expense	<u>(316,959)</u>	(43,555)
Net change in Internal Service Funds charged back against expenditures made for self-funded insurance and printing at an entity-wide basis.		38,116
Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		(40,813)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Early Retirement		<u>(245,368)</u>
<b>Changes in net assets of governmental activities (page 15)</b>	<b>\$</b>	<b><u>(432,967)</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2004

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	School Nutrition	Child Care	Total	
	<b>ASSETS</b>			
<b>Current assets:</b>				
Cash and pooled investments	\$ 7,427	0	7,427	64,369
Receivables:				
Accounts	1,319	9,733	11,052	0
Due from other governments	0	5,167	5,167	0
Inventories	13,797	0	13,797	0
Capital assets, net of accumulated depreciation (Note 4)	27,560	0	27,560	0
<b>TOTAL ASSETS</b>	<b>50,103</b>	<b>14,900</b>	<b>65,003</b>	<b>64,369</b>
<b>LIABILITIES</b>				
Excess of warrants issued over bank balance	0	127,231	127,231	0
Accounts payable	0	810	810	0
Salaries and benefits payable	2,324	0	2,324	0
Deferred revenue:				
Other	3,319	0	3,319	0
<b>TOTAL LIABILITIES</b>	<b>5,643</b>	<b>128,041</b>	<b>133,684</b>	<b>0</b>
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	27,560	0	27,560	0
Unrestricted	16,900	(113,141)	(96,241)	64,369
<b>Total net assets</b>	<b>\$ 44,460</b>	<b>(113,141)</b>	<b>(68,681)</b>	<b>64,369</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business-type Activities - Enterprise Funds			Governmental Activities -
	School Nutrition	Child Care	Total	Internal Service Funds
OPERATING REVENUE:				
Local sources:				
Charges for service	\$ 222,495	217,398	439,893	59,759
OPERATING EXPENSES:				
Salaries	132,539	151,520	284,059	0
Benefits	50,597	43,335	93,932	19,260
Services	4,695	42,059	46,754	0
Supplies	194,139	27,057	221,196	2,383
Depreciation	4,581	0	4,581	0
TOTAL OPERATING EXPENSES	386,551	263,971	650,522	21,643
OPERATING INCOME (LOSS)	(164,056)	(46,573)	(210,629)	38,116
NON-OPERATING REVENUES:				
State sources	5,281	0	5,281	0
Federal sources	164,903	35,192	200,095	0
Interest income	91	0	91	0
TOTAL NON-OPERATING REVENUES	170,275	35,192	205,467	0
Changes in net assets	6,219	(11,381)	(5,162)	38,116
Net assets beginning of year, as restated (Note 9)	38,241	(101,760)	(63,519)	26,253
Net assets end of year	\$ 44,460	(113,141)	(68,681)	64,369

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2004

	Business-type Activities - Enterprise Funds			Governmental Activities -
	School Nutrition	Child Care	Total	Internal Service Funds
	Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 202,441	0	202,441	0
Cash received from miscellaneous operating activities	19,039	221,597	240,636	59,759
Cash payments to employees for services	(190,726)	(211,192)	(401,918)	0
Cash payments to suppliers for goods or services	(178,020)	(73,275)	(251,295)	(21,643)
Net cash provided by(used in) operating activities	(147,266)	(62,870)	(210,136)	38,116
Cash flows from non-capital financing activities:				
State grants received	5,281	0	5,281	0
Federal grants received	145,189	30,025	175,214	0
Net cash provided by non-capital financing activities	150,470	30,025	180,495	0
Cash flows from investing activities:				
Interest on investment	91	0	91	0
Net cash provided by investing activities	91	0	91	0
Net increase(decrease) in cash and cash equivalents	3,295	(32,845)	(29,550)	38,116
Cash and cash equivalents at beginning of year	4,132	(94,386)	(90,254)	26,253
Cash and cash equivalents at end of year	\$ 7,427	(127,231)	(119,804)	64,369
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (164,056)	(46,573)	(210,629)	38,116
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	19,714	0	19,714	0
Depreciation	4,581	0	4,581	0
Decrease in inventories	1,100	0	1,100	0
Increase(Decrease) in accounts receivable	(1,319)	4,199	2,880	0
Decrease in accounts payable	0	(4,159)	(4,159)	0
Decrease in salaries and benefits payable	(7,590)	(16,337)	(23,927)	0
Increase in deferred revenue	304	0	304	0
Net cash provided by(used in) operating activities	\$ (147,266)	(62,870)	(210,136)	38,116
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and investments	\$ 7,427	(127,231)	(119,804)	64,369
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				

During the year ended June 30, 2004, the District received Federal commodities valued at \$19,714.

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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

The Eddyville-Blakesburg 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 Eddyville and Blakesburg, Iowa, and the predominate agricultural territory in Wapello, Monroe, Davis and Mahaska 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, Eddyville-Blakesburg 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 Eddyville-Blakesburg 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 Wapello, Monroe, Davis and Mahaska 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 Physical Plant and Equipment Levy Fund is utilized to account for major equipment purchases and capital improvements.

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 major proprietary funds:

The District's proprietary funds are the Enterprise funds, School Nutrition Fund and Child Care Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Child Care Fund is used to account for the day care service operations of the District. The Internal Service Fund is used to account for partially self-funded health insurance premiums of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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	\$ 0
Buildings	2,000
Land improvements	2,000
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 instruction, support services, non-instructional programs and other expenditures functional areas exceeded the amount budgeted and the District exceeded its General Fund unspent authorized budget.

#### (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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$1,467 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

**(3) Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Physical Plant and Equipment Levy	Debt Service	<u>\$ 100,296</u>

Through board action, the District transferred the excess money left over from a bond issue to close the Debt Service Fund and move to the Physical Plant and Equipment Levy Fund.

**(4) Capital Assets**

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

	<u>Balance Beginning of Year, as restated (Note 9)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 54,747	0	0	54,747
Construction in progress	22,700	33,634	22,700	33,634
Total capital assets not being depreciated	<u>77,447</u>	<u>33,634</u>	<u>22,700</u>	<u>88,381</u>
Capital assets being depreciated:				
Buildings	6,477,995	211,063	0	6,689,058
Land improvements	1,280,136	0	0	1,280,136
Machinery and equipment	2,187,238	51,407	0	2,238,645
Total capital assets being depreciated	<u>9,945,369</u>	<u>262,470</u>	<u>0</u>	<u>10,207,839</u>
Less accumulated depreciation for:				
Buildings	2,879,019	133,781	0	3,012,800
Land improvements	704,929	45,906	0	750,835
Machinery and equipment	1,925,117	137,272	0	2,062,389
Total accumulated depreciation	<u>5,509,065</u>	<u>316,959</u>	<u>0</u>	<u>5,826,024</u>
Total capital assets being depreciated, net	<u>4,436,304</u>	<u>(54,489)</u>	<u>0</u>	<u>4,381,815</u>
Governmental activities capital assets, net	<u>\$ 4,513,751</u>	<u>(20,855)</u>	<u>22,700</u>	<u>4,470,196</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business-type activities:				
Machinery and equipment	\$ 151,025	0	38,473	112,552
Less accumulated depreciation	118,884	4,581	38,473	84,992
Business-type activities capital assets, net	<u>\$ 32,141</u>	<u>(4,581)</u>	<u>0</u>	<u>27,560</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 49,931
Other		6,927
Support services:		
Instructional staff		2,049
Administration		623
Operation and maintenance of plant		4,144
Transportation		73,598
		<u>137,272</u>
Unallocated depreciation		<u>179,687</u>
		<u>\$ 316,959</u>
Business-type activities:		
Food services		\$ 4,581
Total business-type activities depreciation expense		<u>\$ 4,581</u>

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early Retirement	\$ 363,014	349,278	103,910	608,382	120,978

Early Retirement

The District offers a voluntary early retirement plan to its Teachers, Teachers Aides, Custodians, Cooks, Secretaries and Bus Drivers. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive cash benefit for each eligible employee is based on a percentage of the employee's current salary. The District also pays an early retirement incentive for a single health insurance policy until the retiree is age sixty-five. Early retirement benefits paid during the year ended June 30, 2004, totaled \$103,910. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

**(6) 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 \$236,670, \$246,589 and \$219,322 respectively, equal to the required contributions for each year.

**(7) Risk Management**

Eddyville-Blakesburg 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 \$586,965.

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.

Eddyville-Blakesburg 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.

**(8) 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 \$218,241 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.

**(9) Accounting Change and Restatements**

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

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

The government-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

Beginning capital assets for governmental activities of \$12,572,020 were restated to \$10,022,816. 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	Physical	Capital	Other	
		Plant and Equipment Levy		Nonmajor Governmental Funds	
Net assets, June 30, 2003, as previously reported	\$ 723,956	(352,411)	167,989	290,959	830,493
GASB Interpretation 6 adjustments	0	0	0	2,651	2,651
Net assets, July 1, 2003, as restated for governmental funds	\$ 723,956	(352,411)	167,989	293,610	833,144

GASB 34 adjustments:

Capital assets, net of accumulated depreciation of \$5,509,065	4,513,751
Income surtax	204,060
Blending of Internal Service Funds	26,253
Long-term liabilities:	
Early retirement payable	(363,014)

Net assets, July 1, 2003, as restated \$ 5,214,194

	Fund		
	Enterprise		
	School Nutrition	Child Care	Total
Net assets, June 30, 2003, as previously reported	\$ 16,241	(101,760)	(85,519)
Capital contributions	22,000	0	22,000
Net assets, July 1, 2003, as restated for business-type activities	\$ 38,241	(101,760)	(63,519)

**(10) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2004, expenditures in the instruction, support services, non-instructional programs and other expenditures functional program areas exceeded the amount budgeted and the District exceeded its General Fund maximum authorized budget.

REQUIRED SUPPLEMENTAL INFORMATION

EDDYVILLE-BLAKESBURG 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	\$ 4,073,064	443,168
Intermediate sources	655	0
State sources	2,716,657	5,281
Federal sources	319,787	194,928
Total receipts	<u>7,110,163</u>	<u>643,377</u>
Disbursements:		
Instruction	4,626,249	0
Support services	2,388,374	0
Non-instructional programs	24,508	672,927
Other expenditures	553,503	0
Total disbursements	<u>7,592,634</u>	<u>672,927</u>
Excess(deficiency) of receipts over(under) disbursements	(482,471)	(29,550)
Balance beginning of year	<u>1,445,048</u>	<u>(90,254)</u>
Balance end of year	<u>\$ 962,577</u>	<u>(119,804)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
4,516,232	4,926,485	4,926,485	(410,253)
655	900	900	(245)
2,721,938	2,742,101	2,742,101	(20,163)
514,715	420,000	420,000	94,715
<u>7,753,540</u>	<u>8,089,486</u>	<u>8,089,486</u>	<u>(335,946)</u>
4,626,249	4,387,300	4,567,300	(58,949)
2,388,374	2,347,000	2,207,500	(180,874)
697,435	367,400	637,400	(60,035)
553,503	663,922	340,000	(213,503)
<u>8,265,561</u>	<u>7,765,622</u>	<u>7,752,200</u>	<u>(513,361)</u>
(512,021)	323,864	337,286	(849,307)
<u>1,354,794</u>	<u>1,468,616</u>	<u>1,468,616</u>	<u>(113,822)</u>
<u>842,773</u>	<u>1,792,480</u>	<u>1,805,902</u>	<u>(963,129)</u>

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

	Governmental Fund Types		
	Cash Basis	Accrual	
		Adjust- ments	Accrual Basis
Revenues	\$ 7,110,163	102,098	7,212,261
Expenses	7,592,634	(239,026)	7,353,608
Net	(482,471)	341,124	(141,347)
Beginning fund balances	1,445,048	(611,904)	833,144
Ending fund balances	\$ 962,577	(270,780)	691,797

	Proprietary Fund Type		
	Cash Basis	Enterprise	
		Adjust- ments	Accrual Basis
Revenues	\$ 643,377	1,983	645,360
Expenses	672,927	(22,405)	650,522
Net	(29,550)	24,388	(5,162)
Beginning retained earnings	(90,254)	26,735	(63,519)
Ending retained earnings	\$ (119,804)	51,123	(68,681)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG 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 \$13,422.

During the year ended June 30, 2004, disbursements in the instruction, support services, non-instructional programs and other expenditures exceeded the amount budgeted and the District exceeded its General Fund maximum authorized budget.

OTHER SUPPLEMENTAL INFORMATION

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2004

	Special Revenue Funds			
	Manage- ment	Student Activity	Expend- able Trust	Total Special Revenue Funds
ASSETS				
Cash and pooled investments	\$ 38,955	126,780	28,447	194,182
Receivables:				
Property tax:				
Current year delinquent	1,523	0	0	1,523
Succeeding year	225,000	0	0	225,000
TOTAL ASSETS	<u>\$ 265,478</u>	<u>126,780</u>	<u>28,447</u>	<u>420,705</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 225,000	0	0	225,000
	<u>225,000</u>	<u>0</u>	<u>0</u>	<u>225,000</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	40,478	126,780	28,447	195,705
Total fund balances	<u>40,478</u>	<u>126,780</u>	<u>28,447</u>	<u>195,705</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 265,478</u>	<u>126,780</u>	<u>28,447</u>	<u>420,705</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG 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	Expend- able Trust	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
<b>REVENUES:</b>						
Local sources:						
Local tax	\$ 137,186	0	0	137,186	0	137,186
Other	779	238,113	13,752	252,644	924	253,568
State sources	9,563	0	0	9,563	0	9,563
<b>TOTAL REVENUES</b>	<b>147,528</b>	<b>238,113</b>	<b>13,752</b>	<b>399,393</b>	<b>924</b>	<b>400,317</b>
<b>EXPENDITURES:</b>						
Current:						
Instruction:						
Regular instruction	34,668	0	0	34,668	0	34,668
Other instruction	0	185,176	12,493	197,669	0	197,669
Support services:						
Administration services	46,984	0	0	46,984	0	46,984
Operation and maintenance of plant services	73,427	0	0	73,427	0	73,427
Student transportation	20,670	0	0	20,670	0	20,670
Non-instructional programs:						
Food service operations	24,508	0	0	24,508	0	24,508
<b>TOTAL EXPENDITURES</b>	<b>200,257</b>	<b>185,176</b>	<b>12,493</b>	<b>397,926</b>	<b>0</b>	<b>397,926</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(52,729)</b>	<b>52,937</b>	<b>1,259</b>	<b>1,467</b>	<b>924</b>	<b>2,391</b>
<b>OTHER FINANCING USES:</b>						
Transfer out	0	0	0	0	(100,296)	(100,296)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>(52,729)</b>	<b>52,937</b>	<b>1,259</b>	<b>1,467</b>	<b>(99,372)</b>	<b>(97,905)</b>
<b>FUND BALANCE BEGINNING OF YEAR, AS RESTATED (NOTE 9)</b>	<b>93,207</b>	<b>73,843</b>	<b>27,188</b>	<b>194,238</b>	<b>99,372</b>	<b>293,610</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ 40,478</b>	<b>126,780</b>	<b>28,447</b>	<b>195,705</b>	<b>0</b>	<b>195,705</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG 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 Change	Balance End of Year
Activity Management	\$ 28,903	75,673	63,241	(11,364)	29,971
Uniform	5,000	215	7,947	7,701	4,969
Cross Country	862	0	141	0	721
Boys Basketball	1,162	3,976	4,508	626	1,256
Football	1,246	5,852	4,546	417	2,969
Baseball	(631)	70	1,492	626	(1,427)
Boys Track	50	641	984	417	124
Golf	731	0	358	417	790
Wrestling	610	1,934	1,890	626	1,280
Girls Basketball	343	70	427	209	195
Volleyball	332	1,007	1,229	626	736
Softball	4,097	7,704	7,487	1,461	5,775
Girls Track	1,067	600	492	209	1,384
Cheerleading	1,307	4,890	6,959	947	185
Interest	0	421	0	(421)	0
Class of 2004	1,042	0	661	(381)	0
Class of 2005	247	10,294	9,191	217	1,567
Class of 2006	0	0	0	381	381
Class of 2007	214	0	70	0	144
National Honor Society	903	0	0	0	903
HS Student Council	687	2,405	2,320	0	772
EEAC Student Council	4	0	0	0	4
E-B MS Tag	70	381	316	0	135
E-B Jr High Student Council	1,406	3,134	1,323	0	3,217
BAC 7/8 Activity	2,876	64,284	13,436	0	53,724
BAC Elementary	819	632	912	0	539
FFA	1,181	25,401	25,439	417	1,560
Spanish Club	6,725	0	0	0	6,725
Thespian Club	768	808	400	0	1,176
Jr Red Cross	284	890	1,051	0	123
Tri M Society	866	348	283	0	931
Drama/Play	1,256	1,112	1,261	0	1,107
FFA CD	4,164	0	0	0	4,164
Ag Promotions	2,501	0	2,501	0	0
Yearbook	2,760	2,590	8,474	3,124	0
Concessions	473	22,079	14,320	(7,833)	399
Band Fundraiser	0	270	1,431	1,161	0
BAC Music	12	0	0	(12)	0
MS Band Fundraiser	(548)	0	0	12	(536)
MS Drama	54	34	60	0	28
Future Business Leaders	0	398	26	417	789
<b>Total</b>	<b>\$ 73,843</b>	<b>238,113</b>	<b>185,176</b>	<b>0</b>	<b>126,780</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 3,164,785	3,903,008	3,901,759	3,778,441
Tuition	638,838	608,573	571,275	561,707
Other	404,322	606,587	365,275	478,765
Intermediate sources	0	655	659	5,589
State sources	2,691,921	2,449,382	2,479,900	2,507,326
Federal sources	312,395	348,932	214,995	244,565
<b>Total</b>	<b>\$ 7,212,261</b>	<b>7,917,137</b>	<b>7,533,863</b>	<b>7,576,393</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	\$ 3,074,981	2,794,033	2,772,388	2,601,523
Special instruction	871,201	869,522	892,137	833,170
Other instruction	555,274	704,389	736,978	707,058
Support services:				
Student services	165,055	163,674	216,686	204,355
Instructional staff services	219,814	254,490	278,933	252,174
Administration services	780,750	711,435	703,658	650,832
Operation and maintenance of plant services	671,715	635,125	604,325	690,146
Transportation services	476,909	486,649	552,440	694,076
Non-instructional programs	24,508	5,126	5,515	2,245
Other expenditures:				
Facilities acquisitions	295,160	857,128	439,140	30,278
Long-term debt:				
Principal	0	210,000	200,000	190,000
Interest and fiscal charges	0	9,690	18,433	27,307
AEA flow-through	218,241	246,938	235,355	235,407
<b>Total</b>	<b>\$ 7,353,608</b>	<b>7,948,199</b>	<b>7,655,988</b>	<b>7,118,571</b>

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  
Eddyville-Blakesburg Community School District:

We have audited the financial statements of Eddyville-Blakesburg Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 1, 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 Eddyville-Blakesburg 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 except for item II-G-04 and II-K-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eddyville-Blakesburg 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 Eddyville-Blakesburg Community School District and other parties to whom Eddyville-Blakesburg 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 Eddyville-Blakesburg 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.

October 1, 2004

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will investigate alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-04 District and Regional Rents - We noted during our audit that the district receives money for use of facilities when hosting district and regional events.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the general fund. The district should receipt rent collected for facility usage into the general fund.

Response - We will make the necessary changes.

Conclusion - Response accepted.

EDDYVILLE-BLAKESBURG 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 instruction, support services, non-instructional programs and other expenditures functional program areas. The District also exceeded its maximum authorized budget for the year ended June 30, 2004 by \$388,055.

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. The District should contact the Iowa Department of Education and School Budget Review Committee to resolve the deficit unspent authorized budget issue.

Response - We have taken the necessary steps to represent a workout plan to the School Budget Review Committee and have been approved with an increased spending authority.

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.

IV-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. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will investigate and implement as soon as possible.

Conclusion - Response accepted.

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 deficit net assets of \$113,141 in the Enterprise -- Child Care Fund at June 30, 2004. The District had a deficit fund balance in the Physical Plant and Equipment Levy of \$134,308 at June 30, 2004.

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

Response - We are continuing to monitor the day to day operations and are taking a corrective action to decrease the deficit.

Conclusion - Response accepted.