

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL
DISTRICT

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

June 30, 2004

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Independent Auditor's Report

To the Board of Education of
Eldora-New Providence Community School District:

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

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

The financial statements of Eldora-New Providence School Foundation have not been audited, and we were not engaged to audit the Foundation's financial statements as part of our audit of the Eldora-New Providence Community School District's basic financial statements. The Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Foundation's financial statements and because we did not apply any auditing procedures to the Foundation's financial statements, we do not express an opinion on the discretely presented component unit.

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

As described in Note 13 to the financial statements, during the year ended June 30, 2004, Eldora-New Providence Community School District adopted Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement Number 38, Certain Financial Statement Note Disclosures; Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated [July 28, 2004](#), on our consideration of [Eldora-New Providence](#) Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages [4 through 13](#) and [39 through 41](#) are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise [Eldora-New Providence](#) Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, [2003](#), (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules [1](#) through [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.

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

[July 28, 2004](#)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Eldora-New Providence 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 \$5,587,773 in fiscal 2003 to \$5,412,640 in fiscal 2004, while General Fund expenditures also decreased from \$6,074,071 in fiscal 2003 to \$5,496,330 in fiscal 2004. The District's General Fund balance decreased from \$298,958 in fiscal 2003 to (\$143,326) in fiscal 2004.
- The decrease in General Fund revenues was attributable to the 2.25% governor's across the board state aid reduction, a decrease in special education tuition due to the closing of a cottage at Quakerdale, a youth residential treatment facility, and a decrease in open enrollment. As a result, the District funded a portion of the current year General Fund expenditures from the carryover fund balance.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone decreasing from \$9,197 in fiscal 2003 to \$2,242 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 Eldora-New Providence 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 Eldora-New Providence Community

School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to 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 non-major Special Revenue Funds.

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

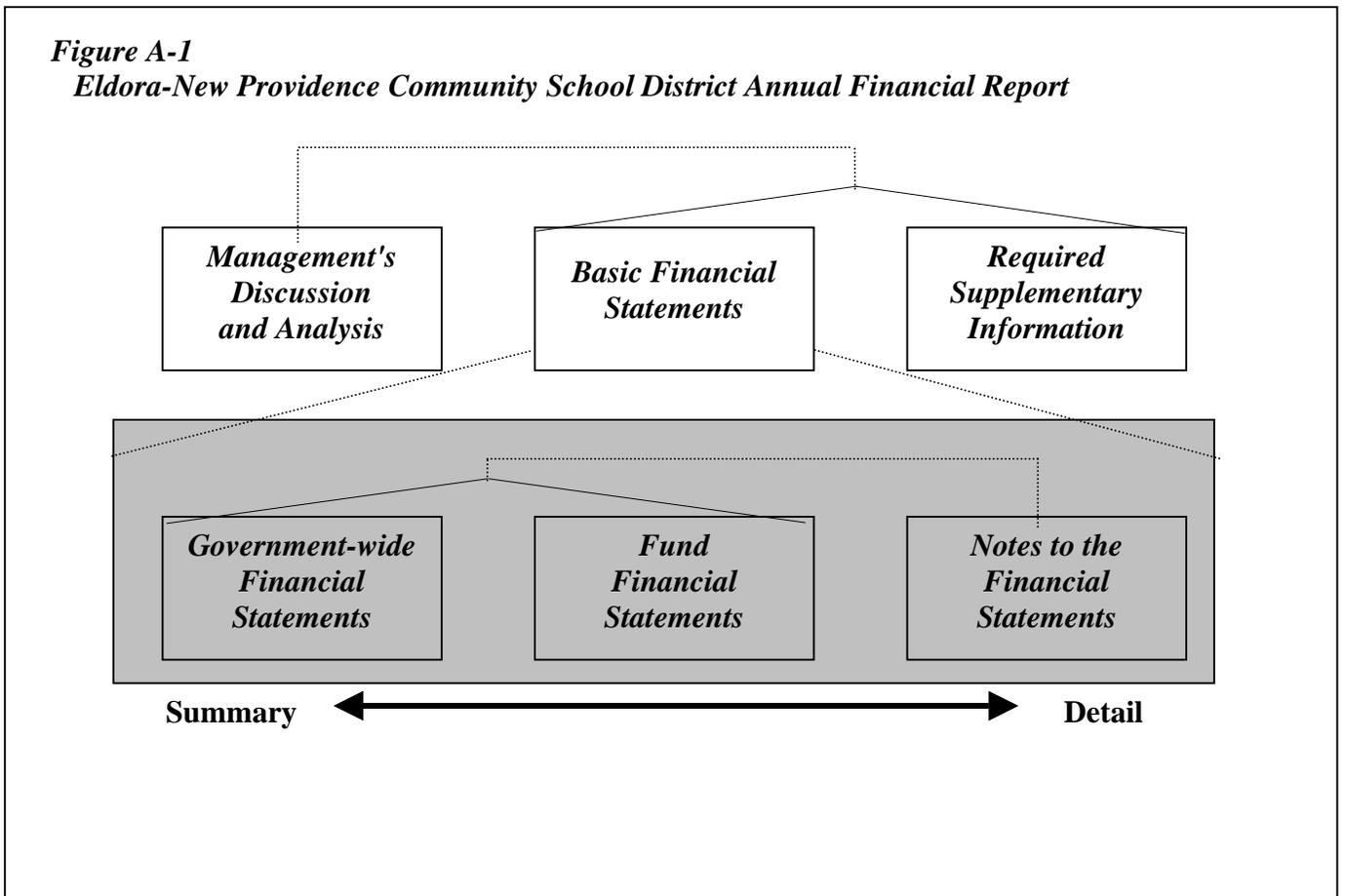


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or financial 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 Debt Service Fund.

The required financial statements for 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 and one internal service fund to account for the district's partially self-funded health insurance plan.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2003	2004	2003	2004	2003	2004	2003-2004
	\$	\$	\$	\$	\$	\$	%
Current and other assets	4,114,121	3,187,697	10,709	15,483	4,124,830	3,203,180	-22.4
Capital assets	5,794,712	5,650,762	17,870	15,339	5,812,582	5,666,101	-2.6
Total Assets	9,908,833	8,838,756	28,579	30,822	9,937,412	8,869,281	-10.8
Long-term liabilities	3,374,827	3,239,300	-	-	3,374,827	3,239,300	-4.1
Other liabilities	3,423,419	2,922,156	1,527	2,737	3,424,946	2,924,893	-14.6
Total liabilities	6,798,246	6,161,456	1,527	2,737	6,799,773	6,164,193	-9.4
Net Assets:							
Invested in capital assets, net of related debt	2,437,643	2,910,516	17,870	15,339	2,455,513	2,925,855	19.2
Restricted	150,584	139,434	-	-	150,584	139,434	-7.4
Unrestricted	522,360	(372,650)	9,182	12,746	531,542	(359,904)	-167.7
TOTAL NET ASSETS	3,110,587	2,677,300	27,052	28,085	3,137,639	2,705,385	-13.8

The District's total net assets decreased by approximately \$432,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased by 7.4% during the year. This decrease is due primarily to a decrease in the amount restricted for debt service and the final expenditure of monies restricted for the Phase III program.

Unrestricted net assets – the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by approximately \$891,000. \$358,594 of this decrease was created when the District used unrestricted net assets to pay off principal and interest on energy management notes payable and capital leases. During fiscal year 2004 fourteen teachers accepted the District's early retirement offer, which increased the District's liability for early retirement and decreased unrestricted net assets by approximately \$220,000. The 2004-2006 contract between the District and the Eldora-New Providence Education Association contains a provision that teachers with 15 years of service will be paid for up to 105 days of accumulated sick leave, at the substitute teacher pay rate, upon retirement or severance. The District recorded a \$261,255 long-term liability to account for this change in policy. This transaction also decreased unrestricted net assets by \$261,255.

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

Figure A-4

Changes in Net Assets from Operating Results

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total School District</u>
	<u>2004</u>	<u>2004</u>	<u>2004</u>
	\$	\$	\$
Revenues			
Program Revenues			
Charges for services	800,028	142,398	942,426
Operating Grants & Contributions	790,089	126,734	916,823
General Revenues			
Property taxes & income surtax	2,118,283	-	2,118,283
Unrestricted State Grants	2,363,461	-	2,363,461
Unrestricted Investment Earnings	11,926	-	11,926
Other Revenue	3,313	-	3,313
Total Revenues	6,087,100	269,132	6,356,232
Expenses			
Instruction	4,242,811	-	4,242,811
Support Services	1,538,703	-	1,538,703
Non-Instructional Programs	2,528	268,099	270,627
Other Expenses	475,090	-	475,090
Total Expenses	6,259,132	268,099	6,527,231
Special item – initial adoption of policy to pay for accrued sick leave	(261,255)	-	(261,255)
Change in Net Assets	(433,287)	1,033	(432,254)

Property taxes, income surtaxes and unrestricted state grants account for approximately 70.5% of total revenues. Expenses for instruction account for approximately 65% of total expenses.

Governmental Activities

Revenues for governmental activities were \$6,087,100 and expenses were \$6,259,132. The difference of \$172,032 was caused by the increase in early retirement benefits payable.

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

Figure A-5
Net Cost of Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004
	\$	\$
Instruction	4,242,811	2,860,715
Support Services	1,538,703	1,527,150
Non-instructional Programs	2,528	2,528
Other Expenses	475,090	278,622
TOTAL	6,259,132	4,669,015

The cost financed by users of the District’s programs was \$800,028. These revenues primarily consist of tuition charged for open enrollment and special education, and revenues from student activities.

Federal and state governments subsidized certain programs with grants and contributions totaling \$790,089.

The \$4,669,015 total net cost of services was financed with property taxes and unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$269,132 and expenses were \$268,099. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, Eldora-New Providence Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund Highlights

- The General Fund balance decreased from \$298,958 to \$(143,326), due in part to the paying an additional \$205,000 on the wind turbine loan, reduction in state aid and existing expenditure commitments of the District.
- Other individual fund balances showed only small increases or decreases for the year.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$27,052 at June 30, 2003 to \$28,085 at June 30, 2004, representing an increase of approximately 4%. For fiscal 2004, the District increased meal prices, which helped the district see an increase in net assets.

BUDGETARY HIGHLIGHTS

Over the course of the year, Eldora-New Providence Community School District amended its annual budget one time to reflect additional expenditures associated with instruction, non-instructional programs and other expenditures.

The District's receipts were \$527,801 less than budgeted receipts, a variance of 8%. The most significant variance resulted from the District receiving less in state aid than originally anticipated due to the governor's 2.25% cutback and receiving less in special education tuition than budgeted due to the closing of a cottage at Quakerdale, a youth residential treatment facility.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and other expenditures areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget. The budget was amended in the area of instruction but not enough to cover actual expenditures. The other expenditures area was exceeded because the district prepaid \$205,000 on the energy management capital loan notes in June 2004 to save the district approximately \$85,250 in future interest payments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004 the District has invested \$5,650,762, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and transportation equipment. Net capital assets decreased approximately 3% from the prior year because capital asset purchases were less than depreciation expense for the year. During 2004 the District purchased \$27,408 of transportation equipment, \$43,746 of computers, and \$70,024 of building and land improvements. Depreciation expense for the year totaled \$287,659. More detailed information about capital assets is available in Note 6 to the financial statements.

Long-Term Debt

Figure A-6

Outstanding Long-Term debt (in thousands of dollars)

	<u>Total School Outstanding Long-Term Debt</u>		<u>Total Percentage Change</u>
	<u>2003</u>	<u>2004</u>	<u>2003- 2004</u>
	\$	\$	%
General obligation bonds	2,525,000	2,235,000	-11.5
Energy management notes	730,000	455,000	-37.7
Capital leases	102,069	50,246	-51.2
Early retirement	17,758	237,799	123.9
Compensated absences (accrued sick leave)	-	261,255	-
Total	<u>3,374,827</u>	<u>3,239,300</u>	<u>-4.1</u>

As explained previously the District prepaid \$205,000 on the energy management notes in June 2004. The proceeds from these notes were used to purchase and install a wind turbine. The notes are being repaid from the General Fund using the savings in energy costs.

The 2004-2006 master contract with the teachers includes a provision that allows teachers with 15 years of service to the District to be paid for up to 105 days of unused sick leave when employment with the District ends. The District recorded a \$261,255 liability for compensated absences to account for this new provision.

Periodically the District offers early retirement incentives for qualifying employees. During fiscal year 2004 the District offered the program and 14 employees elected to retire early. This increased the liability for early retirement by \$220,041.

More detailed information about long-term debt is available in Note 7 to the financial statements.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared the Eldora-New Providence Community School District is aware of some existing circumstances that could affect its financial health in the future.

- The District's certified enrollment for fiscal 2005 remains steady but open enrollment in students decreased by 7 students while open enrollment out students increased by 6 students causing a net decrease of 13 students in open enrollment alone. The graduating class of 2004 contained 63 seniors, while the incoming

kindergarten class has only 50 students creating a decrease of 13 students for the fiscal 2005 year.

- The District's citizens passed a School Infrastructure Local Option Tax in 2004, which will help the district with school infrastructure needs and property tax relief for its patrons.
- The District has evaluated the condition of its transportation vehicles and determined one bus must be replaced during fiscal 2005 at a cost of \$57,541. The district will pay for the new bus with funds generated from the local option tax.
- The District changed health insurance companies for fiscal 2005 and had a 26% decrease in cost which was in turn used to help fund the teachers contract package for the next two years.
- The District offered an early retirement incentive for qualifying employees and 14 employees elected to retire over the next four years, which will help the district reduce salary expenses by attrition or hiring new employees at a lower rate of pay.

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 Dr. Robert Lehman, Superintendent or Cindy Bierle, District Secretary/Treasurer, Eldora-New Providence Community School District, 1010 Edgington Ave., Eldora, Iowa, 50627.

BASIC FINANCIAL STATEMENTS

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total	Unit Eldora- New Providence School Foundation
	\$	\$	\$	\$
Assets				
Cash and cash equivalents:				
ISCAP	558,370	-	558,370	-
Other	552,726	9,188	561,914	106,681
Receivables:				
Property tax:				
Delinquent	20,604	-	20,604	-
Succeeding year	1,771,864	-	1,771,864	-
Accounts	4,295	83	4,378	-
Accrued interest:				
ISCAP	1,424	-	1,424	-
Due from other governments	273,009	-	273,009	-
Inventories	5,702	6,212	11,914	-
Capital assets, net of accumulated depreciation	5,650,762	15,339	5,666,101	-
Total assets	8,838,756	30,822	8,869,578	106,681
Liabilities				
Accounts payable	20,436	695	21,131	-
Salaries and benefits payable	557,635	-	557,635	-
Accrued interest payable	9,717	-	9,717	-
Deferred revenue:				
Succeeding year property tax	1,771,864	-	1,771,864	-
Other	-	2,042	2,042	-
ISCAP warrants payable	555,000	-	555,000	-
ISCAP accrued interest payable	2,159	-	2,159	-
ISCAP premium	5,345	-	5,345	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	300,000	-	300,000	-
Energy management notes payable	85,000	-	85,000	-
Capital leases	50,246	-	50,246	-
Early retirement	12,170	-	12,170	-
Portion due after one year:				
General obligation bonds payable	1,935,000	-	1,935,000	-
Energy management notes payable	370,000	-	370,000	-
Early retirement	225,629	-	225,629	-
Compensated absences	261,255	-	261,255	-
Total Liabilities	6,161,456	2,737	6,164,193	-

See notes to financial statements.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total	Unit Eldora- New Providence School Foundation
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net assets				
Invested in capital assets, net of related debt	2,910,516	15,339	2,925,855	-
Restricted for:				
Physical plant and equipment levy	37,989	-	37,989	-
Other special revenue purposes	92,332	-	92,332	-
Debt service	9,113	-	9,113	-
Unrestricted	<u>(372,650)</u>	<u>12,746</u>	<u>(359,904)</u>	<u>106,681</u>
Total net assets	<u><u>2,677,300</u></u>	<u><u>28,085</u></u>	<u><u>2,705,385</u></u>	<u><u>106,681</u></u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	2,640,737	303,859	423,094	-
Special instruction	1,262,660	285,558	162,994	-
Other instruction	339,414	201,805	4,786	-
	<u>4,242,811</u>	<u>791,222</u>	<u>590,874</u>	<u>-</u>
Support services:				
Student services	260,250	-	-	-
Instructional staff services	119,825	-	-	-
Administration services	567,254	-	-	-
Operation and maintenance of plant services	417,590	840	-	-
Transportation services	173,784	7,966	2,747	-
	<u>1,538,703</u>	<u>8,806</u>	<u>2,747</u>	<u>-</u>
Non-instructional programs	<u>2,528</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Long-term debt interest	139,888	-	522	-
AEA flowthrough	195,946	-	195,946	-
Depreciation (unallocated)*	139,256	-	-	-
	<u>475,090</u>	<u>-</u>	<u>196,468</u>	<u>-</u>
Total governmental activities	<u>6,259,132</u>	<u>800,028</u>	<u>790,089</u>	<u>-</u>
Business type activities				
Non-instructional programs:				
Food service operations	<u>268,099</u>	<u>142,398</u>	<u>126,734</u>	<u>-</u>
Total primary government	<u>6,527,231</u>	<u>942,426</u>	<u>916,823</u>	<u>-</u>
Component Units				
Eldora-New Providence School Foundation	<u>25,708</u>	<u>-</u>	<u>15,145</u>	<u>-</u>
Total	<u>6,552,939</u>	<u>942,426</u>	<u>931,968</u>	<u>-</u>

General Revenues:

Property taxes levied for:
 General purposes
 Debt service
 Capital outlay
 Income surtax
 Unrestricted state grants
 Unrestricted investment earnings
 Other

Total general revenues

Special items - initial adoption of policy to pay for accrued sick leave

Total general revenues and special items

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

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

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
(1,913,784)	-	(1,913,784)	-
(814,108)	-	(814,108)	-
(132,823)	-	(132,823)	-
<u>(2,860,715)</u>	<u>-</u>	<u>(2,860,715)</u>	<u>-</u>
(260,250)	-	(260,250)	-
(119,825)	-	(119,825)	-
(567,254)	-	(567,254)	-
(416,750)	-	(416,750)	-
(163,071)	-	(163,071)	-
<u>(1,527,150)</u>	<u>-</u>	<u>(1,527,150)</u>	<u>-</u>
(2,528)	-	(2,528)	-
(139,366)	-	(139,366)	-
-	-	-	-
(139,256)	-	(139,256)	-
<u>(278,622)</u>	<u>-</u>	<u>(278,622)</u>	<u>-</u>
(4,669,015)	-	(4,669,015)	-
-	1,033	1,033	-
-	-	-	-
-	-	-	(10,563)
<u>(4,669,015)</u>	<u>1,033</u>	<u>(4,667,982)</u>	<u>(10,563)</u>
1,577,969	-	1,577,969	-
377,970	-	377,970	-
50,760	-	50,760	-
111,584	-	111,584	-
2,363,461	-	2,363,461	-
11,926	-	11,926	-
3,313	-	3,313	-
<u>4,496,983</u>	<u>-</u>	<u>4,496,983</u>	<u>-</u>
(261,255)	-	(261,255)	-
4,235,728	-	4,235,728	-
(433,287)	1,033	(432,254)	(10,563)
<u>3,110,587</u>	<u>27,052</u>	<u>3,110,587</u>	<u>117,244</u>
<u>2,677,300</u>	<u>28,085</u>	<u>2,678,333</u>	<u>106,681</u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2004

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:				
ISCAP	558,370	-	-	558,370
Other	249,323	14,894	185,743	449,960
Receivables:				
Property tax:				
Delinquent	15,458	3,936	1,210	20,604
Succeeding year	1,303,840	378,024	90,000	1,771,864
Accounts	4,174	-	121	4,295
Accrued interest - ISCAP	1,424	-	-	1,424
Inventories	5,702	-	-	5,702
Due from other governments	273,009	-	-	273,009
Total assets	2,411,300	396,854	277,074	3,085,228
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	10,647	-	3,955	14,602
Salaries and benefits payable	557,635	-	-	557,635
Interfund payable			58,100	58,100
ISCAP warrants payable	555,000	-	-	555,000
ISCAP accrued interest payable	2,159	-	-	2,159
ISCAP premium	5,345	-	-	5,345
Deferred revenue:				
Succeeding year property tax	1,303,840	378,024	90,000	1,771,864
Other	120,000	-	-	120,000
Total liabilities	<u>2,554,626</u>	<u>378,024</u>	<u>152,055</u>	<u>3,084,705</u>
Fund balances:				
Reserved for:				
Inventories	5,702	-	-	5,702
Debt service	-	18,830	-	18,830
Unreserved	(149,028)	-	125,019	(24,009)
Total fund balances	<u>(143,326)</u>	<u>18,830</u>	<u>125,019</u>	<u>523</u>
Total liabilities and fund balances	2,411,300	396,854	277,074	3,085,228

ELDORA-NEW PROVIDENCE 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 (Exhibit C)	\$ 523
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,650,762
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	120,000
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(9,717)
An internal service fund is used by the District's management to charge the costs of the partially self-funded health insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	155,032
Long-term liabilities, including bonds payable , notes payable , capital leases , compensated absences and early retirement benefits , are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(3,239,300)</u>
Net assets of governmental activities (Exhibit A)	<u><u>2,677,300</u></u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and
Changes in Funds Balances

Year ending June 30, 2004

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,650,419	378,592	117,585	2,146,596
Tuition	539,036	-	-	539,036
Other	169,174	522	202,282	371,978
State sources	2,808,234	365	114	2,808,713
Federal sources	245,777	-	-	245,777
Total revenues	<u>5,412,640</u>	<u>379,479</u>	<u>319,981</u>	<u>6,112,100</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	2,412,083	-	12,525	2,424,608
Special instruction	1,076,093	-	193,614	1,269,707
Other instruction	337,429	-	-	337,429
	<u>3,825,605</u>	<u>-</u>	<u>206,139</u>	<u>4,031,744</u>
Support services:				
Student services	262,857	-	-	262,857
Instructional staff services	120,932	-	-	120,932
Administration services	510,172	-	62,174	572,346
Operation and maintenance of plant services	415,384	-	-	415,384
Transportation services	162,906	-	-	162,906
	<u>1,472,251</u>	<u>-</u>	<u>62,174</u>	<u>1,534,425</u>
Non-instructional programs	2,528	-	-	2,528
Other expenditures:				
Facilities acquisition	-	-	38,687	38,687
Long-term debt:				
Principal	-	616,823	-	616,823
Interest and fiscal charges	-	141,831	-	141,831
AEA flowthrough	195,946	-	-	195,946
	<u>195,946</u>	<u>758,654</u>	<u>38,687</u>	<u>993,287</u>
Total expenditures	<u>5,496,330</u>	<u>758,654</u>	<u>307,000</u>	<u>6,561,984</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(83,690)</u>	<u>(379,175)</u>	<u>12,981</u>	<u>(449,884)</u>
Other financing sources (uses):				
Operating transfers in	-	358,594	-	358,594
Operating transfers out	(358,594)	-	-	(358,594)
Total other financing sources (uses)	<u>(358,594)</u>	<u>358,594</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(442,284)	(20,581)	12,981	(449,884)
Fund balances beginning of year, as restated	298,958	39,411	112,038	450,407
Fund balances end of year	<u>(143,326)</u>	<u>18,830</u>	<u>125,019</u>	<u>523</u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(449,884)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures were lower than depreciation expense in the year as follows:		
Expenditures for capital assets	141,178	
Depreciation expense	<u>(285,128)</u>	(143,950)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		(25,000)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		1,943
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	\$ (220,041)	
Compensated absences	<u>(261,255)</u>	(481,296)
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		616,823
An internal service fund is used by the District's management to charge the costs of the partially self-funded health insurance program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>48,077</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>(433,287)</u></u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2004

	Enterprise - School Nutrition <u> </u> \$	Governmental Activities - Internal Service Fund <u> </u> \$
Assets		
Cash and cash equivalents	9,188	102,766
Accounts receivable	83	-
Interfund receivable	-	58,100
Inventories	6,212	-
Capital assets, net of accumulated depreciation (Note 4)	15,339	-
Total assets	<u>30,822</u>	<u>160,866</u>
Liabilities		
Accounts payable	695	5,834
Deferred revenue	2,042	-
Total Liabilities	<u>2,737</u>	<u>5,834</u>
Net assets		
Invested in capital assets, net of related debt	15,339	-
Unrestricted	12,746	155,032
Total net assets	<u>28,085</u>	<u>155,032</u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Enterprise - School Nutrition	Governmental Activities - Internal Service Fund
	<u>\$</u>	<u>\$</u>
Operating revenue:		
Local sources:		
Charges for service	<u>142,398</u>	<u>93,282</u>
Operating expenses:		
Non-instructional programs:		
Salaries	90,683	-
Benefits	39,421	45,507
Purchased services	695	-
Supplies	134,769	-
Depreciation	2,531	-
	<u>268,099</u>	<u>45,507</u>
Operating gain (loss)	<u>(125,701)</u>	<u>47,775</u>
Non-operating revenue:		
State sources	3,413	-
Federal sources	123,321	-
Interest income	-	302
Total non-operating revenue	<u>126,734</u>	<u>302</u>
Change in net assets	1,033	48,077
Net assets beginning of year	<u>27,052</u>	<u>106,955</u>
Net assets end of year	<u><u>28,085</u></u>	<u><u>155,032</u></u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2004

	Enterprise - School Nutrition	Governmental Activities - Internal Service Fund
	\$	\$
Cash flows form operating activities:		
Cash received from sale of lunches and breakfasts	142,856	-
Sale of services to other funds	-	93,282
Cash payments to employees for services	(130,104)	(41,525)
Cash payments to suppliers for goods or services	(116,264)	-
Net cash provided (used) by operating activities	<u>(103,512)</u>	<u>51,757</u>
Cash flows from non-capital financing activities:		
State grants received	3,413	-
Federal grants received	105,621	-
Net cash provided by non-capital financing activities	<u>109,034</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Loans to other funds	-	(58,100)
Cash flows from investing activities:		
Interest on investments	-	302
Net increase (decrease) in cash and cash equivalents	5,522	(6,041)
Cash and cash equivalents at beginning of year	<u>3,666</u>	<u>108,807</u>
Cash and cash equivalents at end of year	<u><u>9,188</u></u>	<u><u>102,766</u></u>
Reconciliation of operating gain (loss) to net cash provided (used) by operating activities:		
Operating gain (loss)	(125,701)	47,775
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	17,700	-
Depreciation	2,531	-
Decrease (increase) in inventories	805	-
Decrease (increase) in accounts receivable	(57)	-
(Decrease) increase in accounts payable	695	3,982
(Decrease) increase in deferred revenue	515	-
Net cash used in operating activities	<u>(103,512)</u>	<u>51,757</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$17,700 of federal commodities.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies

Eldora-New Providence Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of **Eldora and New Providence**, Iowa and the predominately agricultural territory in a portion of **Grundy, Hardin and Marshall** 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, **Eldora-New Providence** Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The **Eldora-New Providence** Community School District Foundation meets the definition and has been included in the government-wide financial statements as a discretely presented component unit.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District's internal service fund is also reported as a proprietary fund. The internal service fund is used to account for the District's partially self-insured health insurance plan.

The District's component unit is the Eldora-New Providence Community School District Foundation. The Foundation was established to maintain, develop, and expand the facilities and services of the Eldora-New Providence Community School District, and to foster educational opportunities for the students, staff, faculty and the residents of the geographical area served by the Eldora-New Providence Community School District. The Foundation has a December 31, year-end. Foundation financial statements are shown in the Statement of Net Assets and the Statement of Activities in separate columns. As explained in the Independent Auditor's Opinion, the Foundation financial statements have not been audited.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003, through June 30, 2004, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

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

<u>Asset Class</u>	<u>Amount</u> \$
Land	-
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	7-30 years

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the instruction and other expenditures functions exceeded the amounts budgeted.

2. **Cash and Pooled Investments**

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

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

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

2. Interfund Receivables and Payables

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

Receivable Fund	Payable Fund	Amount
		\$
Internal Service Fund	Special Revenue: Management Fund	58,100

The Internal Service Fund loaned the Management Fund \$58,100 to improve cash flow in the Management Fund. The District expects that the loan will be repaid in the next fiscal year.

4. Interfund Transfers

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

Transfer to	Transfer from	Amount
		\$
Debt Service Fund	General Fund	358,594

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

5. Iowa School Cash Anticipation Program (ISCAP)

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

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2003-04B	1/30/04	1/28/05	261,771	1,424	260,000	2,159
2004-05A	6/30/04	6/30/05	296,599	-	295,000	-
Total			<u>558,370</u>	<u>1,424</u>	<u>555,000</u>	<u>2,159</u>

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

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	210,000	210,000	-

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

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

6. Capital Assets

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

	Balance Beginning of Year as restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	235,570	-	-	235,570
Capital assets being depreciated:				
Buildings	6,468,369	64,104	-	6,532,473
Improvements other than buildings	212,759	5,920	-	218,679
Furniture and equipment	1,727,534	71,154	-	1,798,688
Total capital assets being deprec.	8,408,662	141,178	-	8,549,840
Less accumulated depreciation for:				
Buildings	2,253,221	128,469	-	2,381,690
Improvements other than buildings	35,957	10,787	-	46,744
Furniture and equipment	560,342	145,872	-	706,214
Total accumulated depreciation	2,849,520	285,128	-	3,134,648
Total capital assets being depreciated, net	5,559,142	(143,950)	-	5,415,192
Governmental activities capital assets, net	5,794,712	(143,950)	-	5,650,762

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	181,420	-	-	181,420
Less accumulated depreciation	<u>163,550</u>	<u>2,531</u>	<u>-</u>	<u>166,081</u>
Business type activities capital assets, net	<u>17,870</u>	<u>(2,531)</u>	<u>-</u>	<u>15,339</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	62,715
Other	8,033
Support Services:	
Administration services	310
Operation and maintenance of plant services	39,285
Transportation	<u>35,529</u>
	145,872
Unallocated depreciation	<u>139,256</u>
Total depreciation expense – governmental activities	<u>285,128</u>
Business type activities:	
Food services	<u>2,531</u>

7. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	2,525,000	-	290,000	2,235,000	300,000
Energy management notes	730,000	-	275,000	455,000	85,000
Capital leases	102,069	-	51,823	50,246	50,246
Early retirement	17,758	234,697	14,656	237,799	12,170
Compensated absences	-	<u>261,255</u>	<u>-</u>	<u>261,255</u>	<u>-</u>
Total	<u>3,374,827</u>	<u>495,952</u>	<u>631,479</u>	<u>3,239,300</u>	<u>454,429</u>

Early Retirement

The District offered a voluntary early retirement plan to its certified employees during the year ended June 30, 2004. Eligible employees must be at least age **fifty-five at the time of retirement**. Employees had to complete an application by March 26, 2004 which was subject to approval by the Board of Education. The employees selecting early retirement elected to actually retire at a point between June 30, 2004 and June 30, 2008. Early retirement incentives are based on **the greater of one-third of the annual gross salary at the time of retirement or \$1,000 per year for each year employed by Eldora-New Providence Community School District**. Early retirement expenditures for the year ended June 30, 2004 totaled \$14,656.

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of May, 1998			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005	4.250	300,000	97,724	397,724
2006	4.300	310,000	84,974	394,974
2007	4.350	330,000	71,644	401,644
2008	4.375	345,000	57,289	402,289
2009	4.400	365,000	42,195	407,195
2010-2011	4.450-4.500	585,000	35,360	620,360
		<u>2,235,000</u>	<u>389,186</u>	<u>2,624,186</u>

Energy Management Capital Loan Notes

The District issued \$250,000 of notes at no interest on June 30, 2002 and \$550,000 of notes, at 5.5% interest, on July 1, 2002. The proceeds of the notes were used to purchase and install a wind generator. The District prepaid \$205,000 of principal in June 2004. Details of the District's June 30, 2004 energy management capital loan notes are as follows:

Year Ending June 30,	June 30, 2002 Issue		June 30, 2002 Issue		Total \$
	Principal	Interest	Principal	Interest	
	\$	\$	\$	\$	
2005	25,000	-	60,000	14,025	99,025
2006	25,000	-	60,000	10,725	95,725
2007	25,000	-	65,000	7,425	97,425
2008	25,000	-	70,000	3,850	98,850
2009	25,000	-	-	-	25,000
2010-2012	75,000	-	-	-	75,000
	<u>200,000</u>	<u>-</u>	<u>255,000</u>	<u>36,025</u>	<u>491,025</u>

During the year ended June 30, 2004 the District made principal and interest payments totaling \$302,775 under the note agreements.

Capital Leases

The District has purchased physical fitness equipment under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2004.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		\$
	2005	51,168
Less Amount Representing Interest		<u>922</u>
Present Value of Minimum Lease Payments		<u>50,246</u>

8. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$192,913, \$192,056, and \$192,708 respectively, equal to the required contributions for each year.

9. Risk Management

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

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

The District's contributions to the risk pool are recorded as expenditures from its general fund at the time of payment to the risk pool. The District's annual contributions to ISEBA for the year ended June 30, 2004, were \$520,774.

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.

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

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$195,946 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Statement of Activities – Special items

The 2004 employment agreements between the District and its teachers and support staff included provisions to allow employees to accumulate sick leave days and to be paid for those days upon ending employment with the District. The liability created when the agreements were adopted has been reported as a special item in the statement of activities.

12. Fund Balance Deficit

The Special Revenue, Management Fund has a \$5,302 deficit unreserved fund balance and the General Fund has a \$149,028 deficit unreserved fund balance at June 30, 2004.

13. Accounting Change and Restatement

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

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

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

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

	Fund			Total
	General	Debt Service	Nonmajor	
	\$		\$	\$
Net assets, June 30, 2003, as previously reported	298,958	39,411	108,091	446,460
GASB Interpretation 6 adjustments	-	-	3,947	3,947
Net assets, July 1, 2003, as restated for governmental funds	<u>298,958</u>	<u>39,411</u>	<u>112,038</u>	450,407
GASB 34 adjustments:				
Capital assets net of accumulated depreciation of 2,849,520				5,794,712
Net assets and liabilities of Internal Service Fund				106,955
Long-term liabilities:				
Bonds			2,525,000	
Energy Management Capital Loan Notes			730,000	
Capital Leases			102,069	
Early retirement			<u>17,758</u>	(3,374,827)
Accrued interest payable				(11,660)
Deferred revenue				<u>145,000</u>
Net assets, July 1, 2003, as restated				<u>3,110,587</u>

REQUIRED SUPPLEMENTARY INFORMATION

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2004

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual
	Fund Actual	Fund Actual		Original	Final	Variance - Positive (Negative)
	\$	\$	\$		\$	\$
Receipts:						
Local sources	3,081,928	142,856	3,224,784	3,409,658	3,409,658	(184,874)
Intermediate sources	-	-	-	-	-	-
State sources	2,772,055	3,413	2,775,468	3,263,111	3,263,111	(487,643)
Federal sources	241,395	123,321	364,716	220,000	220,000	144,716
Total receipts	<u>6,095,378</u>	<u>269,590</u>	<u>6,364,968</u>	<u>6,892,769</u>	<u>6,892,769</u>	<u>(527,801)</u>
Disbursements:						
Instruction	4,112,850	-	4,112,850	3,855,000	4,000,000	(112,850)
Support services	1,411,646	-	1,411,646	1,864,000	1,864,000	452,354
Non-instructional programs	2,528	264,068	266,596	283,500	361,900	95,304
Other expenditures	993,287	-	993,287	660,084	798,300	(194,987)
Total disbursements	<u>6,520,311</u>	<u>264,068</u>	<u>6,784,379</u>	<u>6,662,584</u>	<u>7,024,200</u>	<u>239,821</u>
Excess (deficiency) of receipts over (under) disbursements	(424,933)	5,522	(419,411)	230,185	(131,431)	(287,980)
Other financing sources (uses) net	<u>58,100</u>	<u>-</u>	<u>58,100</u>	<u>-</u>	<u>-</u>	<u>58,100</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	(366,833)	5,522	(361,311)	230,185	(131,431)	(229,880)
Balance beginning of year	<u>816,793</u>	<u>3,666</u>	<u>820,459</u>	<u>732,051</u>	<u>732,051</u>	<u>88,408</u>
Balance end of year	<u><u>449,960</u></u>	<u><u>9,188</u></u>	<u><u>459,148</u></u>	<u><u>962,236</u></u>	<u><u>600,620</u></u>	<u><u>(141,472)</u></u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	6,095,378	16,722	6,112,100
Expenditures	6,520,311	41,673	6,561,984
Net	(424,933)	(24,951)	(449,884)
Other financing sources (uses) net	58,100	(58,100)	-
Beginning fund balances	816,793	(366,386)	450,407
Ending fund balances	449,960	(449,437)	523

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
\$	\$	\$	
Revenues	269,590	(458)	269,132
Expenditures	264,068	4,031	268,099
Net	5,522	(4,489)	1,033
Beginning fund balances	3,666	23,386	27,052
Ending fund balances	9,188	18,897	28,085

ELDORA-NEW PROVIDENCE 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 functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by **\$361,616**.

During the year ended June 30, [2004](#), disbursements in the [instruction](#) and other expenditures functions exceeded the amounts budgeted .

OTHER SUPPLEMENTARY INFORMATION

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
			Equipment	
	\$	\$	\$	\$
Cash and pooled investments	52,557	95,726	37,460	185,743
Receivables:				
Property tax:				
Delinquent	681	-	529	1,210
Succeeding year	90,000	-	-	90,000
Accounts	100	21	-	121
Total assets	143,338	95,747	37,989	277,074
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	540	3,415	-	3,955
Interfund payables	58,100	-	-	58,100
Deferred revenue:				
Succeeding year property tax	90,000	-	-	90,000
Total liabilities	148,640	3,415	-	152,055
Fund balances:				
Unreserved fund balance	(5,302)	92,332	37,989	125,019
Total liabilities and fund balances	143,338	95,747	37,989	277,074

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	<u>Special Revenue Funds</u>			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
	\$	Fund	Equipment	\$
	\$	\$	Levy	\$
Revenues:				
Local sources:				
Local tax	66,741	-	50,844	117,585
Other	99	202,029	154	202,282
State sources	65	-	49	114
Total revenues	<u>66,905</u>	<u>202,029</u>	<u>51,047</u>	<u>319,981</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	12,525	-	-	12,525
Special instruction	-	193,614	-	193,614
Support services:				
Administration services	62,174	-	-	62,174
Other expenditures:				
Facilities acquisition	-	-	38,687	38,687
Total expenditures	<u>74,699</u>	<u>193,614</u>	<u>38,687</u>	<u>307,000</u>
Excess (deficiency) of revenues over (under) expenditures	(7,794)	8,415	12,360	12,981
Fund balances beginning of year, as restated	<u>2,492</u>	<u>83,917</u>	<u>25,629</u>	<u>112,038</u>
Fund balances end of year	<u>(5,302)</u>	<u>92,332</u>	<u>37,989</u>	<u>125,019</u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
MS vocal	317	599	532	384
MS instrumental	143	1,414	1,468	89
MS athletics general	4,795	47	408	4,434
MS basketball	1,290	45	(69)	1,404
MS baseball/softball	166	-	(150)	316
MS track	729	1,800	1,987	542
MS football	2,035	-	970	1,065
MS wrestling	476	-	(117)	593
MS volleyball	673	-	(238)	911
MS student council	1,758	382	566	1,574
MS activities/fund raisers	4,365	15,126	18,047	1,444
MS student store	3,120	-	-	3,120
MS annual	1,078	461	62	1,477
Drama club	-	810	810	-
HS vocal music	1,809	14,313	15,636	486
HS instrumental music	6,335	268	2,498	4,105
Music resale	-	956	956	-
Performance team	36	2,183	2,007	212
HS athletics general	3,082	3,143	6,122	103
HS athletic resale	6	2,521	2,527	-
HS basketball	1,946	11,164	11,105	2,005
HS athletic medical	635	-	635	-
HS athletic clinics	47	-	47	-
HS baseball/softball	-	11,121	9,649	1,472
HS track	1,891	7,436	8,534	793
HS track resurfacing	9,434	5,006	2,000	12,440
HS cross country	142	1,357	959	540
HS tennis	127	108	158	77
HS golf	-	414	116	298
Cheerleaders	1,826	250	2,075	1
HS football	2,157	30,848	30,455	2,550
Football fund raisers	-	22,920	22,920	-
HS wrestling	6,994	8,518	8,129	7,383
HS volleyball	2,450	4,795	5,727	1,518
HS student council	1,564	1,935	1,169	2,330
Get a grip	1,959	1,595	1,210	2,344
National Honor Society	3,685	3,637	3,439	3,883
FFA	8,978	14,275	14,543	8,710
Spanish club	687	-	-	687
Class of 2002	841	-	-	841
Class of 2003	86	-	-	86

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Class of 2004	487	921	1,408	-
Class of 2005	3,195	2,088	5,139	144
Class of 2006	453	7,230	5,019	2,664
Class of 2007	-	183	-	183
HS concessions, donations	-	15,603	5,255	10,348
HS annual/2004	-	6,151	63	6,088
HS annual/2002	1,049	35	-	1,084
HS annual/2003	4,998	350	350	4,998
June 30, 2004 accrual entries	-	21	3,415	(3,394)
June 30, 2003 accrual entries	(3,927)	-	(3,927)	-
	<u>83,917</u>	<u>202,029</u>	<u>193,614</u>	<u>92,332</u>
Total				

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,146,596	2,173,260	2,160,416	2,146,455
Tuition	539,036	294,837	256,866	269,604
Other	371,978	729,197	755,715	647,850
State sources	2,808,713	2,856,018	2,837,485	2,866,133
Federal sources	245,777	224,916	206,807	218,701
	<u>6,112,100</u>	<u>6,278,228</u>	<u>6,217,289</u>	<u>6,148,743</u>
Expenditures:				
Instruction:				
Regular instruction	2,424,608	2,386,185	2,672,171	2,271,881
Special instruction	1,269,707	1,157,997	878,234	841,637
Other instruction	337,429	351,395	348,052	505,863
Support services:				
Student services	262,857	357,062	419,598	459,547
Instructional staff services	120,932	119,723	110,161	114,106
Administration services	572,346	508,338	561,445	476,437
Operation and maintenances of plant service	415,384	1,061,698	708,245	594,966
Transportation services	162,906	182,093	133,622	220,411
Central support services	-	-	1,826	1,520
Non-instructional programs	2,528	3,392	2,740	9,238
Other expenditures:				
Facilities acquisition	38,687	84,784	63,738	96,170
Long-term debt:				
Principal	616,823	394,683	224,035	205,000
Interest and other charges	141,831	155,425	184,998	200,755
AEA flowthrough	195,946	200,326	199,536	208,771
	<u>6,561,984</u>	<u>6,963,101</u>	<u>6,508,401</u>	<u>6,206,302</u>

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

To the Board of Education of the
[Eldora-New Providence](#) Community School District

We have audited the financial statements of the [Eldora-New Providence](#) Community School District as of and for the year ended June 30, [2004](#), and have issued our report thereon dated [July 28, 2004](#). We did not issue an opinion on the Eldora-New Providence School Foundation, which is included in the District's financial statements as a discretely presented component unit, [because we were not engaged to and did not audit the Foundation](#). 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 [Eldora-New Providence](#) Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under [Government Auditing Standards](#). [However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.](#)

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

Internal Control over Financial Reporting

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

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of [Eldora-New Providence](#) Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

[July 28, 2004](#)

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year Ended June 30, 2004

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

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

Conclusion: Response accepted.

04-I-B Supporting Documentation: We noted certain credit card payments for office supplies and gasoline that did not have detailed supporting documentation.

Recommendation: The District should receive detailed documentation for all expenditures and credit card charges and then reconcile the documentation to the monthly statement.

District Response: We will review our policies and make any necessary adjustments.

Conclusion: Response accepted

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

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

04-II-B Certified Budget: Disbursements for the year ended June 30, 2004, exceeded the amounts budgeted in the instruction and other expenditures functional areas.

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

District Response: We did amend the budget, however, the District prepaid \$205,000 on the energy management capital loan notes in June 2004. The prepayment will save the District interest expense in future years, but it did cause the other expenditures area to exceed the budget. Year end expenses in the instruction area were more that anticipated.

Conclusion: Response accepted.

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

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

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

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

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

04-II-H Certified Enrollment: The calculations for line 12 of the September 2003 certified enrollment included four special education tuitioned in students. This resulted in an overstatement of .04 students.

Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

District Response: We will contact these departments.

Conclusion: Response accepted.

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

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year Ended June 30, 2004

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

04-II-J Certified Annual Report (CAR): We reviewed a draft copy of the CAR and noted no significant deficiencies in the amounts reported.

04-II-K Lease-Purchase Agreement: The District made lease-purchase payments for fitness equipment from the General Fund during 2002, 2003 and 2004. Based on information from the Iowa Department of Education and the Iowa Association of School Boards (IASB) legal counsel and consistent with Dillion's rule, school districts may only enter into lease-purchase agreements which are specifically allowed under the Code of Iowa. Chapter 298.3 (10) of the Code of Iowa allows lease-purchases from the Special Revenue Fund, PPEL Fund. However, no statute exists allowing Districts to enter into lease-purchase agreements for fitness equipment from the General Fund.

Recommendation: The District should account for future lease-purchase contracts in the PPEL Fund.

District Response: Future lease purchase agreements will be accounted for in the PPEL Fund.

Conclusion: Response accepted.

04-II-L Financial Condition: The District has a General Fund deficit unreserved fund balance of \$149,028 and the Management Fund deficit fund balance of \$5,302 at June 30, 2004.

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

District Response: The Management Fund deficit was caused by unexpected unemployment benefits expenses during the year ended June 30, 2004. The deficit will be covered by property tax revenue in the next fiscal year. The General Fund has a deficit fund balance at June 30, because it prepaid \$205,000 on the Energy Management Capital loan notes during the year.

Conclusion: Response accepted.

04-II-M Policy on Payment of Bills Prior to Board Approval: We noted that the District's policy on payment of bills prior to board approval needs to be updated.

Recommendation: Chapter 179.29 of the Code of Iowa provides that "the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage and printing, without prior Board approval. This Board may approve a resolution designating certain other disbursements that may be paid prior to a Board Meeting with the approval of the Board President. The Board's written policy should comply with Chapter 279.30 of the Code of Iowa. Then, except as expressly permitted, no checks should be prepared for claims that have not been properly audited and allowed.

District Response: We will revise our policy on payment of bills prior to board approval.

Conclusion: Response accepted.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year Ended June 30, 2004

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

04-II-N Retention of Electronic Records: The District receives copies of the front of cancelled checks in the monthly bank statements. The District's bank maintains electronic copies of the front and back of each cancelled check. Chapter 554D.114 of the Code of Iowa allows the retention of checks in electronic format, however the electronic image must remain accessible to the District for later reference.

Recommendation: The District should determine how long the bank's electronic images will be readily accessible by the District. If the period of time is shorter than that specified by the District's record retention policy, the District should obtain printed copies of the backs of the cancelled checks.

District Response: We will discuss record retention with the bank.

Conclusion: Response accepted.