

EXIRA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14-15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Net Assets	H	21
Statement of Cash Flows	I	22
Notes to Financial Statements		23-33
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		34-35
Budgetary Comparison Schedule- Budget to GAAP Reconciliation		36
Notes to Required Supplementary Information - Budgetary Reporting		37
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Changes in Student Activity Accounts	1	38
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	2	39
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		40-41
Schedule of Findings		42-44

Exira Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 Election)		
Vicky Sorensen	President	2005
Jerry Riesgaard	Vice President	2003
Paul Christensen	Board Member	2003
Tom Christofferson	Board Member	2004
Denise Walker	Board Member	2005

Board of Education (After September 2003 Election)		
Vicky Sorensen	President	2005
Denise Walker	Vice President	2005
Tom Christofferson	Board Member	2004
Paul Christensen	Board Member	2006
Tom Benton	Board Member	2006

School Officials

Charles Johnson	Superintendent	2004
Shirley Garnett	District Secretary/ District Treasurer	2004
Rick Franck	Attorney	2004

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Exira Community School District:

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

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

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

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

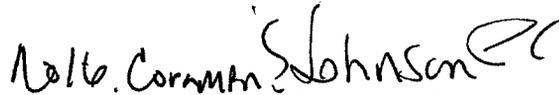
In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2004 on our consideration of the Exira Community School District's internal control over financial reporting and our tests of its compliance with certain

Members American Institute & Iowa Society of Certified Public Accountants

provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Exira 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 three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

September 24, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Exira 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 \$2,679,094 in fiscal 2003 to \$2,503,653 in fiscal 2004, while General Fund expenditures increased from \$2,488,407 in fiscal 2003 to \$2,547,503 in fiscal 2004. This resulted in a decrease in the District's General Fund balance from \$389,308 in fiscal 2003 to a balance of \$345,508 in fiscal 2004, an 11% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state grant revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.
- A decline in interest rates during the past fiscal year, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone to decrease from \$17,594 in fiscal year 2003 to \$10,301 in fiscal year 2004.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Exira 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 Exira Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Exira Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

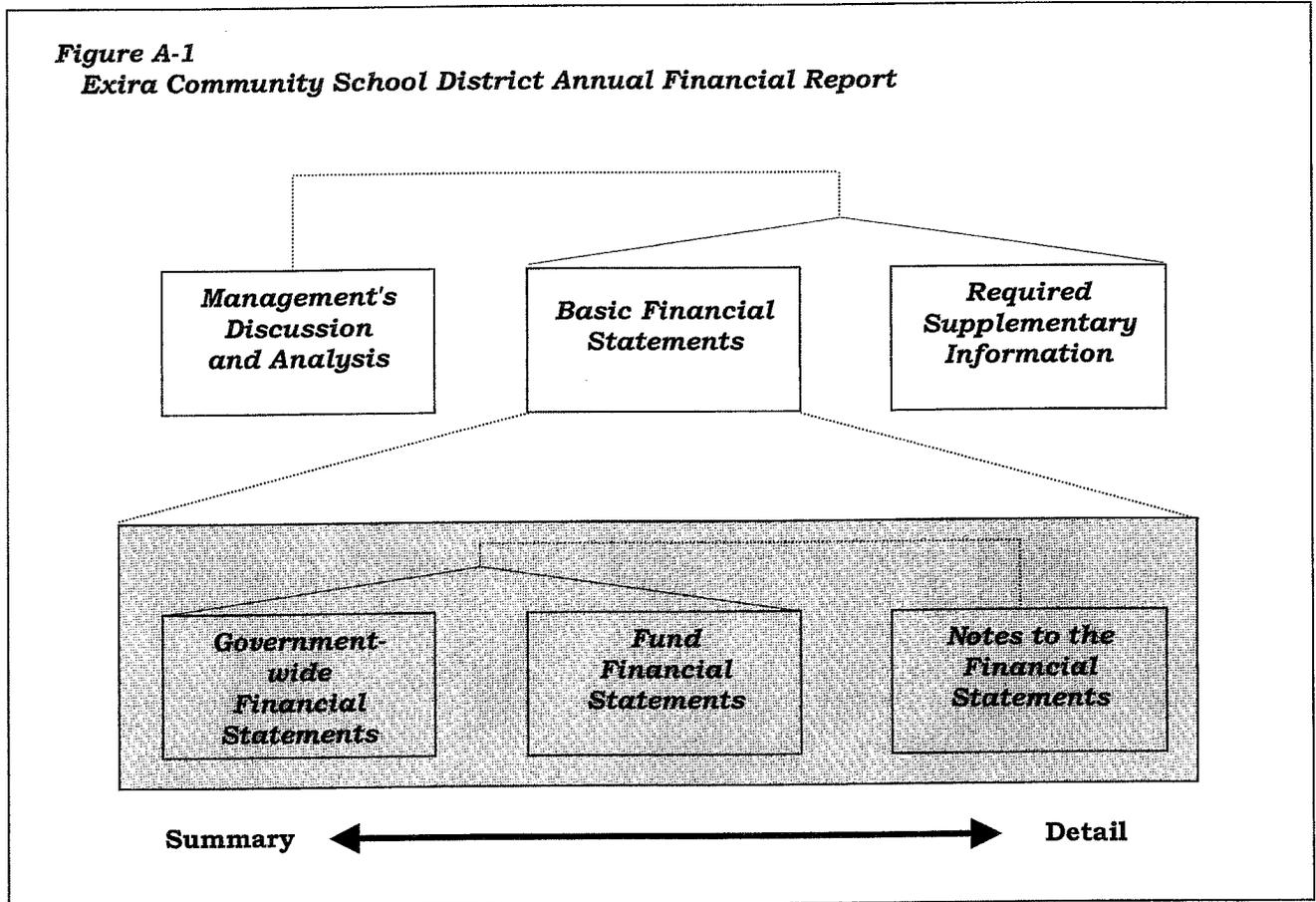


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Current and other assets	\$ 1,786,177	6,454	1,792,631
Capital assets	639,483	8,145	647,628
Total assets	<u>2,425,660</u>	<u>14,599</u>	<u>2,440,259</u>
Long-term obligations	317,803	0	317,803
Other liabilities	1,237,261	0	1,237,261
Total liabilities	<u>1,555,064</u>	<u>0</u>	<u>1,555,064</u>
Net assets:			
Invested in capital assets, net of related debt	470,950	8,145	479,095
Restricted	19,668	0	19,668
Unrestricted	379,978	6,454	386,432
Total net assets	<u>\$ 870,596</u>	<u>14,599</u>	<u>885,195</u>

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

Figure A-4
Changes of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Revenues:			
Program revenues:			
Charges for services	\$ 166,172	49,044	215,216
Operating grants and contributions and restricted interest	332,944	54,935	387,879
General revenues:			
Local tax	1,198,220	0	1,198,220
Unrestricted state grants	1,020,709	0	1,020,709
Other	21,712	25	21,737
Total revenues	<u>2,739,757</u>	<u>104,004</u>	<u>2,843,761</u>
Program expenses:			
Governmental activities:			
Instructional	1,872,891	0	1,872,891
Support services	705,716	0	705,716
Non-instructional programs	1,891	103,170	105,061
Other expenses	195,993	0	195,993
Total expenses	<u>2,776,491</u>	<u>103,170</u>	<u>2,879,661</u>
Changes in net assets	(36,734)	834	(35,900)
Net assets beginning of year	<u>907,330</u>	<u>13,765</u>	<u>921,095</u>
Net assets end of year	<u>\$ 870,596</u>	<u>14,599</u>	<u>885,195</u>

Property tax and unrestricted state grants account for 78% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 90% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$2,739,757 and expenses were \$2,776,491.

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

Figure A-5

	Total Cost of Services	Net Cost of Services
Instruction	\$ 1,872,891	1,469,824
Support services	705,716	705,310
Non-instructional	1,891	1,891
Other expenses	195,993	100,350
Totals	<u>\$ 2,776,491</u>	<u>2,277,375</u>

- The cost financed by users of the District's programs was \$166,172.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$332,944.

-
- The net cost of governmental activities was financed with \$1,198,220 in local tax, \$1,020,709 in unrestricted state grants, and \$21,662 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$104,004 and expenses were \$103,170. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$485,619, compared to last year's ending fund balances of \$540,665.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Reduction in state grants resulted in a decrease in revenues. However, the decrease in revenues along with the increase in General Fund expenditures ensured the decrease in the financial position of the District.
- The Management fund balance decreased from a deficit balance of \$2,676 to a deficit balance of \$6,423, due to a decrease in revenues and an increase in total expenditures for the year.
- The Student Activity fund balance decreased from \$21,846 to \$19,268, due to an increase in total expenditures during the year.
- The Physical Plant and Equipment Levy (PPEL) fund balance decreased from \$132,187 to \$127,266, due to an increase in total expenditures for the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$13,765 at June 30, 2003 to \$14,599 at June 30, 2004, representing an increase of approximately 6%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Exira Community School District amended its annual budget one time to reflect additional expenditures associated with the new roof purchased in the other expenditures functional program area. The District didn't increase total budgeted disbursements, instead they reclassified disbursements from the instruction and support services functional program areas to the other expenditures functional program area.

The District's revenues were \$140,838 less than budgeted revenues, a variance of 5%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund

spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget exceeded in the student services functional program area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$647,625, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 85% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$65,871.

The original cost of the District's capital assets was \$1,961,449. Governmental funds account for \$1,907,757 with the remainder of \$53,692 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$533,190 at June 30, 2004, compared to \$193,991 reported at June 30, 2003. This increase resulted from the roof improvements which took place during the current year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type	Total
	Activities		Activities	School District
	2004	2004	2004	2004
Land	\$ 19,493	0	0	19,493
Buildings	136,828	0	0	136,828
Land improvements	460,131	0	0	460,131
Machinery and equipment	23,031	8,145	8,145	31,176
Total	\$ 639,483	8,145	8,145	647,628

Long-Term Debt

At June 30, 2004, the District had long-term debt outstanding of \$317,803 in capital loan notes and early retirement. This represents an increase of approximately 694.5% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total capital loan notes payable of \$295,000 at June 30, 2004.

The District also had total outstanding early retirement payable of \$22,803 at June 30, 2004.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
Capital loan notes	295,000	40,000	637.5%
Early retirement	22,803	0	100.0%
Total	\$ 317,803	40,000	694.5%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Although the District has experienced declining enrollment for a few years, the District expects a slight increase in enrollment.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shirley Garnett, District Board Secretary, Exira Community School District, P.O. Box 335, Exira, Iowa, 50076.

BASIC FINANCIAL STATEMENTS

EXIRA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments			
ISCAP(Note 4)	\$ 151,818	0	151,818
Other	452,570	5,169	457,739
Receivables:			
Property tax:			
Delinquent	46,385	0	46,385
Succeeding year	1,033,484	0	1,033,484
Income surtax	64,096	0	64,096
Accounts	1,374	0	1,374
Due from other governments	36,450	0	36,450
Inventories	0	1,285	1,285
Capital assets, net of accumulated depreciation(Note 5)	639,483	8,145	647,628
TOTAL ASSETS	2,425,660	14,599	2,440,259
LIABILITIES			
Due to other governments	5,220	0	5,220
Accounts payable	44,438	0	44,438
Interest payable	799	0	799
Salaries and benefits payable	226	0	226
ISCAP warrants payable(Note 4)	151,000	0	151,000
ISCAP premiums payable	2,094	0	2,094
Deferred revenue:			
Succeeding year property tax	1,033,484	0	1,033,484
Long-term liabilities(Note 6):			
Portion due within one year:			
Capital loan note	40,000	0	40,000
Early retirement	3,145	0	3,145
Portion due after one year:			
Capital loan note	255,000	0	255,000
Early retirement	19,658	0	19,658
TOTAL LIABILITIES	1,555,064	0	1,555,064
NET ASSETS			
Investment in capital assets, net of related debt	470,950	8,145	479,095
Restricted for:			
Teacher quality	85	0	85
Phase III	315	0	315
Other special revenue purposes	19,268	0	19,268
Unrestricted	379,978	6,454	386,432
TOTAL NET ASSETS	\$ 870,596	14,599	885,195

SEE NOTES TO FINANCIAL STATEMENTS.

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

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 1,322,800	50,127	237,301
Special instruction	297,343	0	0
Other instruction	252,748	115,639	0
	<u>1,872,891</u>	<u>165,766</u>	<u>237,301</u>
Support services:			
Student services	67,007	0	0
Instructional staff services	77,813	0	0
Administration services	277,361	0	0
Operation and maintenance of plant services	191,242	0	0
Transportation services	91,534	406	0
Central support services	759	0	0
	<u>705,716</u>	<u>406</u>	<u>0</u>
Non-instructional services:			
Food service operations	1,891	0	0
Other expenditures:			
Facilities acquisitions	50,247	0	0
Long-term debt interest	11,566	0	0
AEA flowthrough	95,643	0	95,643
Depreciation(unallocated)*	38,537	0	0
	<u>195,993</u>	<u>0</u>	<u>95,643</u>
Total governmental activities	2,776,491	166,172	332,944
Business-Type activities:			
Non-instructional programs:			
Nutrition services	103,170	49,044	54,935
Total business-type activities	103,170	49,044	54,935
Total	\$ 2,879,661	215,216	387,879

General Revenues:

Property tax levied for:
 General purposes
 Capital outlay
 Unrestricted state grants
 Unrestricted investment earnings
 Sale of materials
 Total general revenues

Changes in net assets

Net assets beginning of year, as restated Note 10

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,035,372)	0	(1,035,372)
(297,343)	0	(297,343)
(137,109)	0	(137,109)
(1,469,824)	0	(1,469,824)
(67,007)	0	(67,007)
(77,813)	0	(77,813)
(277,361)	0	(277,361)
(191,242)	0	(191,242)
(91,128)	0	(91,128)
(759)	0	(759)
(705,310)	0	(705,310)
(1,891)	0	(1,891)
(50,247)	0	(50,247)
(11,566)	0	(11,566)
0	0	0
(38,537)	0	(38,537)
(100,350)	0	(100,350)
(2,277,375)	0	(2,277,375)
0	809	809
0	809	809
(2,277,375)	809	(2,276,566)
\$ 1,059,737	0	1,059,737
138,483	0	138,483
1,020,709	0	1,020,709
21,662	25	21,687
50	0	50
2,240,641	25	2,240,666
(36,734)	834	(35,900)
907,330	13,765	921,095
\$ 870,596	14,599	885,195

EXIRA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Manage- ment	Physical Plant and Equipment Levy	Student Activity	Total
ASSETS					
Cash and pooled investments					
ISCAP (Note 4)	\$ 151,818	0	0	0	151,818
Other	291,810	(7,548)	146,746	21,562	452,570
Receivables:					
Property tax					
Delinquent	40,056	1,125	5,204	0	46,385
Succeeding year	886,022	38,000	109,462	0	1,033,484
Income surtax	64,096	0	0	0	64,096
Accounts	500	0	0	874	1,374
Due from other governments	36,450	0	0	0	36,450
TOTAL ASSETS	\$ 1,470,752	31,577	261,412	22,436	1,786,177
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other governments	\$ 5,220	0	0	0	5,220
Accounts payable	16,586	0	24,684	3,168	44,438
Salaries and benefits payable	226	0	0	0	226
ISCAP warrants payable (Note 4)	151,000	0	0	0	151,000
ISCAP premiums payable	2,094	0	0	0	2,094
Deferred revenue:					
Succeeding year property tax	886,022	38,000	109,462	0	1,033,484
Income surtax	64,096	0	0	0	64,096
Total liabilities	1,125,244	38,000	134,146	3,168	1,300,558
Fund balances:					
Reserved for:					
Teacher quality	85	0	0	0	85
Phase III	315	0	0	0	315
Unreserved:					
Undesignated	345,108	(6,423)	127,266	19,268	485,219
Total fund balances	345,508	(6,423)	127,266	19,268	485,619
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,470,752	31,577	261,412	22,436	1,786,177

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 16)	\$	485,619
 <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 in the governmental funds.		639,483
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(799)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		64,096
Long-term liabilities, including capital loan notes payable, and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(317,803)
Net assets of governmental activites (page 13)	\$	870,596

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Man- agement	Physical Plant and Equipment Levy	Student Activity	Debt Service	Total
REVENUES:						
Local sources:						
Local tax	\$ 1,033,579	26,158	138,483	0	0	1,198,220
Tuition	50,127	0	0	0	0	50,127
Other	66,294	9,194	2,014	60,205	0	137,707
State sources	1,218,072	0	0	0	0	1,218,072
Federal sources	135,581	0	0	0	0	135,581
Total revenues	2,503,653	35,352	140,497	60,205	0	2,739,707
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	1,260,775	39,099	0	0	0	1,299,874
Special instruction	297,343	0	0	0	0	297,343
Other instruction	187,050	0	0	62,783	0	249,833
	1,745,168	39,099	0	62,783	0	1,847,050
Support services:						
Student services	67,007	0	0	0	0	67,007
Instructional staff services	77,813	0	0	0	0	77,813
Administration services	277,007	0	0	0	0	277,007
Operation and maintenance of plant services	189,052	0	0	0	0	189,052
Transportation services	93,163	0	0	0	0	93,163
Central services	759	0	0	0	0	759
	704,801	0	0	0	0	704,801
Non-instructional:						
Food service operations	1,891	0	0	0	0	1,891
Other expenditures:						
Facilities acquisitions	0	0	389,446	0	0	389,446
Long-term debt:						
Principal	0	0	0	0	70,000	70,000
Interest and fiscal charges	0	0	0	0	10,972	10,972
AEA flowthrough	95,643	0	0	0	0	95,643
	95,643	0	389,446	0	80,972	566,061
Total expenditures	2,547,503	39,099	389,446	62,783	80,972	3,119,803
Deficiency of revenues under expenditures	(43,850)	(3,747)	(248,949)	(2,578)	(80,972)	(380,096)
Other financing sources (uses):						
Transfers in	0	0	0	0	80,972	80,972
Transfers out	0	0	(80,972)	0	0	(80,972)
Proceeds on loans	0	0	325,000	0	0	325,000
Sale of equipment and materials	50	0	0	0	0	50
Total other financing sources	50	0	244,028	0	80,972	325,050
Net change in fund balances	(43,800)	(3,747)	(4,921)	(2,578)	0	(55,046)
Fund balance beginning of year	389,308	(2,676)	132,187	21,846	0	540,665
Fund balance end of year	\$ 345,508	(6,423)	127,266	19,268	0	485,619

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA 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 (page 18) \$ (55,046)

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

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

Capital outlays	\$ 361,675	
Depreciation expense	(64,966)	296,709

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

Issued	\$ (325,000)	
Repaid	70,000	(255,000)

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.

(594)

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 fund.

Early retirement		(22,803)
------------------	--	----------

Changes in net assets of governmental activities (page 15) \$ (36,734)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>School</u>
	<u>Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 5,169
Inventories	1,285
Capital assets, net of accumulated depreciation	8,145
TOTAL ASSETS	<u>14,599</u>
LIABILITIES	<u>0</u>
NET ASSETS	
Invested in capital assets, net of related debt	8,145
Unrestricted	6,454
TOTAL NET ASSETS	<u>\$ 14,599</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Other local sources:	
Sale of lunches and breakfasts:	
Students	\$ 44,729
Adults	4,315
TOTAL OPERATING REVENUES	49,044
OPERATING EXPENSES:	
Food service operations:	
Salaries	42,843
Benefits	5,740
Supplies	53,682
Depreciation	905
TOTAL OPERATING EXPENSES	103,170
OPERATING LOSS	(54,126)
NON-OPERATING REVENUES:	
Interest	25
State sources	1,782
Federal sources	53,153
TOTAL NON-OPERATING REVENUES	54,960
Change in net assets	834
Net assets at beginning of year	13,765
Net assets end of year	\$ 14,599

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 49,044
Cash payments to employees for services	(49,180)
Cash payments to suppliers for goods or services	(46,403)
Net cash used in operating activities	(46,539)
Cash flows from non-capital financing activities:	
State grants received	1,782
Federal grants received	46,513
Net cash provided by non-capital financing activities	48,295
Cash flows from investing activities:	
Interest on investments	25
Net cash provided by investing activities	25
Cash flows from capital financing activities:	
Purchase of assets	(1,875)
Net cash used in financing activities	(1,875)
Net decrease in cash and cash equivalents	(94)
Cash and cash equivalents at beginning of year	5,263
Cash and cash equivalents at end of year	\$ 5,169
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (54,126)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	6,640
Depreciation	905
Decrease in inventories	639
Decrease in salaries and benefits payable	(597)
Net cash used in operating activities	\$ (46,539)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 5,169
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
During the year ended June 30, 2004, the District received federal commodities valued at \$6,640.	

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

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

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

B. Basis of Presentation

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

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference

reported as net assets. Net assets are reported in three categories:

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

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

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

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

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

The District reports the following major governmental funds:

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

The Special Revenue - Management Fund is utilized to account for the payment of property insurance and early retirement benefits.

The Special Revenue - Physical Plant and Equipment Levy (PPEL) Fund is used to account for resources used in building improvements and equipment purchases.

The Special Revenue - Activity Fund is utilized to account for the resources used in student driven accounts.

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 School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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

Asset Class	Estimated Useful Live (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 years

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

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

receivables and other receivables not collected within sixty days after year end.

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the support services functional program area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

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

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

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$630,478 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

(3) **Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	PPEL	\$ 80,972

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

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa 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. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Warrant Maturity	Warrant Investments	Interest Receivable	Warrants Payable	Interest Payable
2004-05A	6/30/04	6/30/05	\$ 151,818	0	151,000	0

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. No ISCAP advance activity was noted in the General Fund for the year ended June 30, 2004.

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
2004-05A	3.000%	2.463%

(5) Capital Assets

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

	Balance Beginning of Year, as restated (Note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 19,493	0	0	19,493
Total capital assets not being depreciated	19,493	0	0	19,493
Capital assets being depreciated:				
Buildings	741,857	0	0	741,857
Land improvements	193,991	339,199	0	533,190
Machinery and equipment	590,741	22,476	0	613,217
Total capital assets being depreciated	1,526,589	361,675	0	1,888,264
Less accumulated depreciation for:				
Buildings	593,152	11,877	0	605,029
Land improvements	46,399	26,660	0	73,059
Machinery and equipment	563,757	26,429	0	590,186
Total accumulated depreciation	1,203,308	64,966	0	1,268,274
Total capital assets being depreciated, net	323,281	296,709	0	619,990
Governmental activities capital assets, net \$	342,774	296,709	0	639,483

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 51,817	1,875	0	53,692
Less accumulated depreciation	44,642	905	0	45,547
Business-type activities capital assets, net \$	7,175	970	0	8,145

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 5,899
Other		2,915
Support services:		
Administration services		354
Operation and maintenance of plant services		2,190
Transportation		15,071
		26,429
Unallocated depreciation		38,537
Total governmental activities depreciation expense		\$ 64,966
Business-type activities:		
Food services		\$ 905

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Capital loan note	\$ 40,000	325,000	70,000	295,000	40,000
Early retirement	0	25,424	2,621	22,803	3,145
Total	\$ 40,000	350,424	72,621	317,803	43,145

Early Retirement

The District offers a voluntary early retirement plan to its licensed employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The school district will pay the cost of the single premium at the level it was when the employee retired. Early retirement expenditures for the year ended June 30, 2004 totaled \$2,621.

Capital Loan Note

During the year, the District obtained financing for a new roof, with a capital loan note for \$325,000. The repayment of this loan will be with PPEL revenues. Details of the Districts capital loan note indebtedness is as follows:

Year Ending June 30,	Interest Rate	Issue dated August 1, 2003		
		Principal	Interest	Total
2005	3.25 %	\$ 40,000	9,588	49,588
2006	3.25	50,000	8,288	58,288
2007	3.25	60,000	6,663	66,663
2008	3.25	70,000	4,713	74,713
2009	3.25	75,000	2,438	77,438
Total		\$ 295,000	31,688	326,688

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$85,977, \$83,666, and \$84,361 respectively, equal to the required contributions for each year.

(8) Risk Management

Exira 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 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, life vision, and prescription drugs.

Each member's contributions to ISEBA funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a 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. District contributions to ISEBA for the year ended June 30, 2004 were \$190,819.

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.

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$95,643 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Accounting Change and Restatements

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

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No.38, Certain Financial Statement Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statement 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.

Beginning capital assets for governmental activities of \$1,583,433 were restated to \$1,546,082. The restatement primarily removed assets below the District's capitalization threshold.

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

	Fund				Total
	General	Management	Physical Plant and Equipment Levy	Student Activity	
Net assets, June 30, 2003, as previously reported	\$ 389,308	(2,676)	132,187	21,846	540,665
GASB Interpretation 6 adjustments	0	0	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	\$ 389,308	(2,676)	132,187	21,846	540,665
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$1,203,308					342,774
Income surtax					64,096
Long-term liabilities:					
Capital loan notes					(40,000)
Accrued interest					(205)
Net assets July 1, 2003, as restated					\$ 907,330

(11) Budget Overexpenditure

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

(12) Deficit Fund Balance

The Special Revenue - Management Fund had a deficit undesignated balance of \$6,423 at June 30, 2004.

REQUIRED SUPPLEMENTAL INFORMATION

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

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 1,446,122	49,069
State sources	1,126,307	1,782
Federal sources	123,464	53,153
Total receipts	<u>2,695,893</u>	<u>104,004</u>
Disbursements:		
Instruction	1,863,492	0
Support services	722,791	0
Non-instructional programs	1,891	104,098
Other expenditures	541,378	0
Total disbursements	<u>3,129,552</u>	<u>104,098</u>
Excess(deficiency) of receipts over(under) disbursements	(433,659)	(94)
Other financing sources, net	<u>325,050</u>	<u>0</u>
Excess(deficiency) of receipts and other financing sources over(under) disbursements	(108,609)	(94)
Balance beginning of year	<u>561,179</u>	<u>5,263</u>
Balance end of year	<u>\$ 452,570</u>	<u>5,169</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
1,495,191	1,452,657	1,452,657	42,534
1,128,089	1,332,078	1,332,078	(203,989)
176,617	156,000	156,000	20,617
2,799,897	2,940,735	2,940,735	(140,838)
1,863,492	2,322,630	2,037,630	174,138
722,791	810,642	620,642	(102,149)
105,989	121,148	121,148	15,159
541,378	144,915	619,915	78,537
3,233,650	3,399,335	3,399,335	165,685
(433,753)	(458,600)	(458,600)	24,847
325,050	0	0	325,050
(108,703)	(458,600)	(458,600)	349,897
566,442	380,341	380,341	186,101
457,739	(78,259)	(78,259)	535,998

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

	Governmental Fund Types		
	Cash Basis	Accrual	
		Adjust- ments	Accrual Basis
Revenues	\$ 2,695,893	43,814	2,739,707
Expenses	3,129,552	(9,749)	3,119,803
Net	(433,659)	53,563	(380,096)
Other financing sources, net	325,050	0	325,050
Beginning fund balances	561,179	(20,514)	540,665
Ending fund balances	\$ 452,570	33,049	485,619

	Proprietary Fund Type		
	Cash Basis	Enterprise	
		Adjust- ments	Accrual Basis
Revenues	\$ 104,004	0	104,004
Expenses	104,098	(928)	103,170
Net	(94)	928	834
Beginning retained earnings	5,263	8,502	13,765
Ending retained earnings	\$ 5,169	9,430	14,599

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment which reclassified disbursement from one area to another, but never increased the total budgeted disbursements.

During the year ended June 30, 2004, disbursements in the student services functional program area exceeded the amount budgeted.

OTHER SUPPLEMENTAL INFORMATION

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 1,523	153	1,676	0
Art	196	13	40	169
Athletics	11,254	38,880	43,514	6,620
Cheerleading	343	1,321	840	824
Drill team	740	1,836	1,523	1,053
Leadership club	321	346	338	329
Student Council	636	631	937	330
FFA	2,132	831	639	2,324
Pals	41	108	100	49
Spanish	63	5	0	68
National honor society	(59)	190	131	0
Quest	9	0	9	0
Faces	482	411	213	680
Science club	0	542	67	475
Class of 02	76	6	82	0
Class of 03	240	142	382	0
Class of 04	1,163	364	1,263	264
Class of 05	766	7,430	6,941	1,255
Class of 06	867	74	50	891
Class of 07	1,053	85	37	1,101
Class of 08	0	6,826	4,001	2,825
Class of 09	0	11	0	11
Total	\$ 21,846	60,205	62,783	19,268

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 1,198,220	1,176,891	1,000,637	1,023,659
Tuition	50,127	50,090	43,782	36,910
Other	137,707	124,677	146,357	247,008
State sources	1,218,072	1,429,229	1,315,185	1,303,029
Federal sources	135,581	129,247	113,062	108,493
Total	\$ 2,739,707	2,910,134	2,619,023	2,719,099
Expenditures:				
Instruction:				
Regular instruction	\$ 1,299,874	1,273,094	1,402,401	1,231,803
Special instruction	297,343	288,238	303,105	289,954
Other instruction	249,833	249,087	431,181	306,509
Support services:				
Student services	67,007	58,218	47,224	48,074
Instructional staff services	77,813	77,594	50,790	49,525
Administration services	277,007	261,576	251,333	245,812
Operation and maintenance of plant services	189,052	179,621	166,192	195,336
Transportation services	93,163	99,772	66,093	72,572
Central services	759	0	0	0
Non-instructional:				
Food service operations	1,891	0	5,162	669
Community service and education operations	0	1,139	274	1,100
Other expenditures:				
Facilities acquisitions	389,446	63,780	0	0
Long Term Debt:				
Principal	70,000	35,000	35,000	35,000
Interest	10,972	4,210	7,063	8,706
AEA flow-through	95,643	104,785	99,232	99,014
Total	\$ 3,119,803	2,696,114	2,865,050	2,584,074

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the
Exira Community School District:

We have audited the financial statements of Exira Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 24, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

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

Internal Control Over Financial Reporting

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

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Exira Community School District and other parties to whom Exira Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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


NOLTE, CORNMAN & JOHNSON, P.C.

September 24, 2004

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

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

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

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

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

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

Conclusion - Response accepted.

I-B-04 Student Activity Fund - We noted during our audit that the Student Activity fund included a Class of 2004. This account should be closed out upon graduation.

Recommendation - The District should transfer the remaining balance left to an appropriate account.

Response - The account has been closed out.

Conclusion - Response accepted.

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

Part II: Other Findings Related to Statutory Reporting

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

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

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

Response - We will monitor this more closely in the future.

Conclusion - Response accepted.

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

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

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

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

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

II-H-04 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were dual enrolled was understated by two students and the home school students were understated by 1 student resulting in a total understatement of 0.8 students for the District.

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

Response - We will contact the Department of Education

Conclusion - Response accepted.

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

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

II-K-04 Financial Condition - The District had a deficit unreserved retained earnings of \$6,423 in the Special Revenue - Management Fund.

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

Response - We will monitor this fund and work on eliminating the deficit balance.

Conclusion - Response accepted.