# MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

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MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Officials

| Name | Title | Term Expires |
|---|---|---|
| | **Board of Education** | |
| | (Before September 2003 Election) | |
| Dale Wimmer | President | 2005 |
| Ed Maier | Vice President | 2004 |
| Kathy Dirksen | Board Member | 2003 |
| Tracy Hesse | Board Member | 2003 |
| Joann Maynard | Board Member | 2005 |
| | (After September 2003 Election) | |
| Dale Wimmer | President | 2005 |
| Ed Maier | Vice President | 2004 |
| Kathy Dirksen | Board Member | 2006 |
| Joann Maynard | Board Member | 2005 |
| Tammy Flanigan | Board Member | 2006 |
| | **School Officials** | |
| Steve Oberg | Superintendent | |
| Roxann Kollbaum | District Secretary/Treasurer | |

Independent Auditor's Report

To the Board of Education of
Maple Valley 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 Maple Valley Community School District, Mapleton, Iowa, 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 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, the business type activities, each major fund and the aggregate remaining fund information of Maple Valley 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 11 to the financial statements, during the year ended June 30, 2004, Maple Valley 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 September 22, 2004, on our consideration of Maple Valley 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 14 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 Maple Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not 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

September 22, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

### 2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from $4,742,799 in fiscal 2003 to $4,862,233 in fiscal 2004, while General Fund expenditures increased from $4,667,690 in fiscal 2003 to $4,789,174 in fiscal 2004.

- The increase in General Fund revenues were attributable to an increase in property tax. Our tax rate increased from 11.74542 in fiscal 2003 to 12.69501 in fiscal 2004. Projected state foundation aid revenue was reduced by about $53,058 due to a 2.5% across the board cut in state aid in the fall of 2003. Since about 85% of the district general fund budget is for salaries and benefits, it is difficult to adjust mid-year for such cuts. In June, the district did receive a partial payback of the cut in the amount of $5,306

- The increase in expenditures was due primarily to an increase in the negotiated salary and benefits of district employees. The district has been working to find ways to decrease salary and benefit costs without laying off staff. For example, the district, in conjunction with the teachers' association, has instituted major changes to the health insurance plan in an effort to contain costs. By changing insurers from Principal to WellMark Blue Cross Blue Shield, and increasing deductibles from $100/$200 to $500/$1000, the district was able to keep the percentage increases down in fiscal years 2003 and 2004. Other non-employee expenses that increased significantly were Special Education tuition and transportation costs.

- The district's boundaries lie within four counties: Monona, Ida, Crawford and Woodbury. The district has received revenue from Woodbury, Monona, Crawford, and Ida County one-cent sales tax for several years. The district decided to bond against the future Woodbury and Monona County sales tax revenue in order to complete some major facility projects.

**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 Maple Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Maple Valley 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. In addition, the Comparison of Taxes and Intergovernmental Revenues and Receipts, provides a summary of how funding at different levels has changed over the most recent four year period.

Figure A-1 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-1***
***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 | • Statement of net assets<br>• Statement of activities | • Balance sheet<br>• Statement of revenues, expenditures and changes in fund balances | • Statement of net assets<br>• Statement of revenues, expenses and changes in fund net assets<br>• Statement of cash flows | • Statement of fiduciary net assets<br>• 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 three kinds of funds:

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

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

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

3) *Fiduciary Funds:* The district is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purpose, and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Currently, the Maple Valley Community School does not have any fiduciary funds.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-2 below provides a summary of the District's net assets at June 30, 2004.

| | Figure A-2<br>Condensed Statement of Net Assets | | |
|---|---|---|---|
| | Governmental Activities | Business type Activities | Total District |
| | June 30, 2004 | June 30, 2004 | June 30, 2004 |
| Current and other assets | 6,696,654 | 8,383 | 6,705,037 |
| Capital assets | 6,615,398 | 4,215 | 6,619,613 |
| Total assets | 13,312,052 | 12,598 | 13,324,650 |
| | | | |
| Long-term liabilities | 5,224,576 | 0 | 5,224,576 |
| Other liabilities | 4,292,256 | 957 | 4,293,213 |
| Total liabilities | 9,516,832 | 957 | 9,517,789 |
| | | | |
| Net assets | | | |
| Invested in capital assets net of related debt | 2,883,040 | 4,215 | 2,887,255 |
| Restricted | 551,425 | 0 | 551,425 |
| Unrestricted | 360,755 | 7,426 | 368,181 |
| Total net assets | 3,795,220 | 11,641 | 3,806,661 |

In future years, the net change from the previous year will be shown. Since the district changed its method of reporting to conform with GASB 34, comparable information is not available for fiscal 2003. The most significant change is the incorporation of capital assets and depreciation to compute the district's net assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets is the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

Figure A-3 shows the change in net assets for the year ended June 30, 2004.

Figure A-3
Changes in Net Assets

| | Governmental Activities | Business Type Activities | Total District |
|---|---|---|---|
| Revenues | | | |
| Program revenues | | | |
| Charges for Services | 877,247 | 83,080 | 960,327 |
| Operating grants and contributions | 709,156 | 89,459 | 798,615 |
| Capital grants and contributions | 451,440 | 0 | 451,440 |
| General revenues | | | |
| Property tax | 1,498,169 | 0 | 1,498,169 |
| Other taxes | 684,168 | 0 | 684,168 |
| Interest on investments | 81,722 | 42 | 81,764 |
| State aid not restricted to specific programs | 1,990,270 | 0 | 1,990,270 |
| Miscellaneous | 35,774 | 0 | 35,774 |
| Total revenues | 6,327,946 | 172,581 | 6,500,527 |
| Program expenses | | | |
| Governmental activities | | | |
| Instruction | 3,561,474 | | 3,561,474 |
| Support services | 1,415,717 | | 1,415,717 |
| Non-instructional programs | 6,663 | 170,447 | 177,110 |
| Other expenses | 888,295 | | 888,295 |
| Total expenses | 5,872,149 | 170,447 | 6,042,596 |
| Change in net assets | 455,797 | 2,134 | 457,931 |

Property tax and unrestricted state grants account for 55% of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total governmental activities expense.

**Governmental Activities**

Revenues for governmental activities were $6,327,946 and expenses were $5,872,149. Figure A-4 below shows a summary of these revenues and expenses.

**FIGURE A-4: GOVERNMENTAL ACTIVITIES REVENUES**

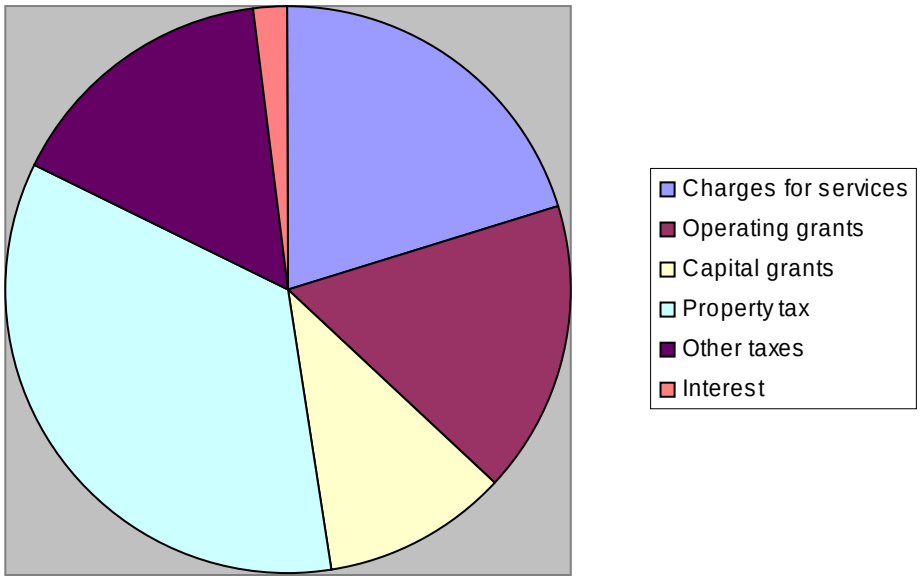
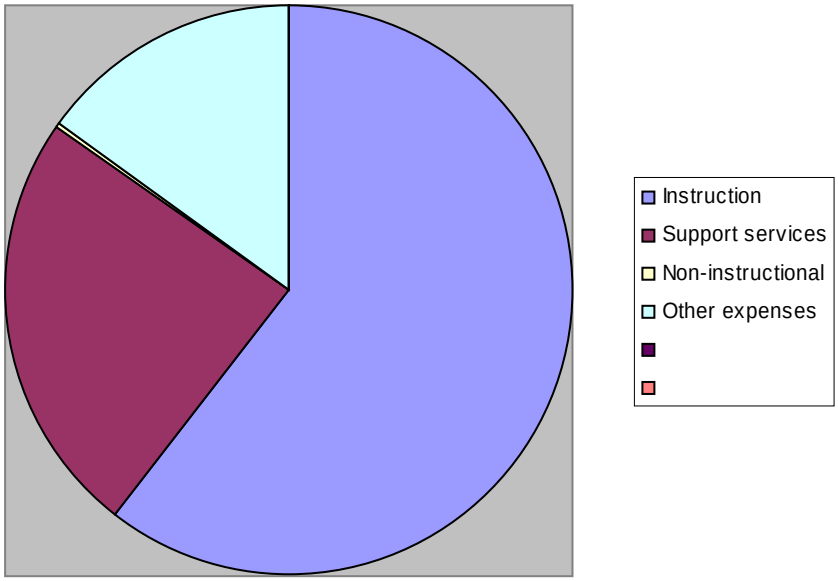


**FIGURE A-4: GOVERNMENTAL ACTIVITIES EXPENSES**




So, as you can see from Figures A-4 above, the majority of Governmental Activities Revenues come from Property taxes, and the majority of Governmental Activities Expenses are in the area of Instruction.

The following table (A-5) presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

| | Total Cost of Services | Net Cost of Services |
|---|---|---|
| Instruction | 3,561,474 | 2,197,700 |
| Support services | 1,415,717 | 1,363,576 |
| Non-instructional programs | 6,663 | 6,663 |
| Other expenses | 888,295 | 266,367 |
| Total expenses | 5,872,149 | 3,834,306 |

- The cost financed by users of the District's programs was $877,247. Federal and state governments subsidized certain programs with grants and contributions totaling $1,160,596.
- The net cost of governmental activities was financed with $2,182,337 in property and other taxes and $1,990,270 in unrestricted state grants. The remaining $117,496 in revenue came from interest, contributions, sales of equipment and other miscellaneous local sources.

**Business Type Activities**

Revenues for business type activities were $172,581 and expenses were $170,447. 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.

During the year ended June 30, 2004, the District did not increase meal prices. However, the Board did approve to raise student lunch prices $.05 for the 04-05 school year. This represents a 4% increase.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of $2,432,098, markedly down from last year's ending fund balances of $5,670,514.

**Governmental Fund Highlights**

- The General Fund went from a $206,491 fund balance to a $279,550 balance. This is an increase of 35%.
- The Local Option Sales Tax Fund went from a $5,004,084 fund balance to a $1,618,740 fund balance, a decrease of approximately 68%.
- Other Nonmajor Governmental funds went from a fund balance of $459,939, to a fund balance of 533,808. This represents an increase of 16%

**Proprietary Fund Highlights**

Overall, the School Nutrition Fund has improved its financial health and has also provided some relief to the general fund. This fund was able to increase its cash balance from $406.47 on July 1, 2003, to $3,584.70 on June 30, 2004.

## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. This is referred to as the certified budget. The budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority. The district certifies its budget on a cash basis, but year-end financial reports are converted to an accrual basis. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, Maple Valley Community School District did not amend its annual budget.

The District's receipts were $283,200 more than budgeted receipts, a variance of 4.6%. When certifying the budget, the district tries to estimate revenues conservatively, and this variance is most likely a result of that, rather than any significant increases in revenue.

Total expenditures were $3,704,960 less than budgeted, a variance of 26%. This is due to the district budgeting at full authority. The district certifies its budget at full-authority, even though it does not plan to spend all the funds. While, the certified budget provides a tool for estimating revenues and expenditures, the District manages or controls spending through its line-item budget.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the district.

The district has managed to maintain its spending authority over the last couple of years when its cash has been depleted. Spending authority can be preserved by asking the School Budget Review Committee for authority to fund special education deficits, increased enrollment and increased tuition costs due to open enrollment.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2004, the District had invested approximately $7 million, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment, and construction in progress. (See Figure A-6) Depreciation expense for the year was $92,002.

Figure A-6

| | Original Cost of Capital Assets | Prior Years Accum Deprec. | Current Year Depreciation | Capital Assets less Depreciation |
|---|---|---|---|---|
| **Land & Improvements** | 249,115 | 232,943 | 4,005 | 12,167 |
| **Buildings & Improvements** | 949,351 | 880,241 | 6,760 | 62,350 |
| **Vehicles & Equipment** | 1,004,273 | 687,177 | 81,237 | 235,859 |
| **Construction in Progress** | 6,305,022 | 0 | 0 | 6,305,022 |
| | 8,507,761 | 1,800,361 | 92,002 | 6,615,398 |

Since this was the first year to report capital assets and depreciation expense, a comparison to last year is not possible. The original cost of the District's capital assets was approximately $8.5 million. Accumulated depreciation for prior years was

calculated at $1.8 million. Buildings, building improvements, and construction in progress account for 82% of capital assets, before reducing for long-term debt.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled $6,305,022 at June 30, 2004. It includes several projects within the new High School Building project and the renovation of the old High School for the Elementary.

**Long-Term Debt**

At June 30, 2004, the District had $5,420,212 in general obligation and other long-term debt outstanding. This represents an increase of approximately 15.5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Notes 6, 7 and 8 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

| | Total District | | % Change |
|---|---|---|---|
| | 2004 | 2003 | 2003-2004 |
| General obligation bonds | 4,415,000 | 4,575,000 | -3.5% |
| Revenue bonds | 850,000 | 0 | 0 |
| Lease purchase agreements | 0 | 0 | 0 |
| Early retirement | 155,212 | 116,314 | 33% |
| | 5,420,212 | 4,691,314 | 15.5% |

## 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:

- Due to a revaluation of agricultural land, the district's taxable valuation for fiscal 2005, decreased by 15%. This will result in higher tax rates to fund debt service and less property tax revenue in the General and Physical Plant and Equipment Levy (PPEL) for fiscal 2005.

- The District has many long-term employees that would be eligible for early retirement over the next few years. This could affect the district's total tax levy and the distribution of property taxes among funds that are supported by property tax. For example, the management fund levy would need to increase, and that may mean a decrease in another levy to keep taxes at an acceptable level. However, the board has the ability to approve or deny applications for early retirement, so the effects can be somewhat controlled.

- The district has facilities that are modern and in good shape. Although there are always projects that need to be done, the revenues to support facility maintenance and improvement should be sufficient to take care of immediate needs for the next few years.

- The impact of legislative issues and declining student enrollment will have an impact on the economic factors of the district's future.

## 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 Shona Fitchner, District Secretary/Treasurer and Business Manager, Maple Valley Community School District, 501 S. 7th St., Mapleton, IA 51034.

BASIC FINANCIAL STATEMENTS

Exhibit A

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

| | Governmental Activities | Business Type Activities | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Assets** | | | |
| Cash and cash equivalents: | | | |
| ISCAP | 826,275 | - | 826,275 |
| Other | 3,317,961 | 3,585 | 3,321,546 |
| Cash with fiscal agent | 86,096 | - | 86,096 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 20,702 | - | 20,702 |
| Succeeding year | 1,803,879 | - | 1,803,879 |
| Accounts | - | 187 | 187 |
| Accrued interest: | | | |
| ISCAP | 3,254 | - | 3,254 |
| Due from other governments | 638,487 | - | 638,487 |
| Inventories | - | 4,611 | 4,611 |
| Capital assets, net of accumulated depreciation | 6,615,398 | 4,215 | 6,619,613 |
| **Total assets** | 13,312,052 | 12,598 | 13,324,650 |
| **Liabilities** | | | |
| Accounts payable | 1,071,288 | - | 1,071,288 |
| Salaries and benefits payable | 356,321 | - | 356,321 |
| Accrued interest payable | 33,188 | - | 33,188 |
| Deferred revenue: | | | |
| Succeeding year property tax | 1,803,879 | - | 1,803,879 |
| Other | - | 957 | 957 |
| ISCAP warrants payable | 821,000 | - | 821,000 |
| ISCAP accrued interest payable | 4,933 | - | 4,933 |
| ISCAP premium | 6,011 | - | 6,011 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| General obligation bonds payable | 165,000 | - | 165,000 |
| Early retirement | 30,636 | - | 30,636 |
| Portion due after one year: | | | |
| General obligation bonds payable | 4,250,000 | - | 4,250,000 |
| Revenue bonds payable | 850,000 | - | 850,000 |
| Early retirement | 124,576 | - | 124,576 |
| **Total liabilities** | 9,516,832 | 957 | 9,517,789 |

See notes to financial statements.

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

| | Governmental Activities | Business Type Activities | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Net assets** | | | |
| Invested in capital assets, net of related debt | 2,883,040 | 4,215 | 2,887,255 |
| Restricted for: | | | |
| Gifted and talented program | 20,129 | - | 20,129 |
| Iowa early intervention block grant | 50,872 | - | 50,872 |
| Physical plant and equipment levy | 323,655 | - | 323,655 |
| Other special revenue purposes | 78,468 | - | 78,468 |
| Debt service | 78,301 | - | 78,301 |
| Unrestricted | 360,755 | 7,426 | 368,181 |
| **Total net assets** | 3,795,220 | 11,641 | 3,806,861 |

See notes to financial statements.

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

| | | Program Revenues | | |
|---|---|---|---|---|
| **Functions/Programs** | Expenses | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular instruction | 2,151,633 | 543,856 | 298,228 | - |
| Special instruction | 852,418 | 118,023 | 183,131 | - |
| Other instruction | 557,423 | 206,481 | 14,055 | - |
| | 3,561,474 | 868,360 | 495,414 | - |
| Support services: | | | | |
| Student services | 85,470 | - | 22,043 | - |
| Instructional staff services | 174,718 | - | - | - |
| Administration services | 481,717 | - | - | - |
| Operation and maintenance of plant services | 326,158 | 3,501 | - | - |
| Transportation services | 347,654 | 5,386 | 21,211 | - |
| | 1,415,717 | 8,887 | 43,254 | - |
| Non-instructional programs | 6,663 | - | - | - |
| Other expenditures: | | | | |
| Facilities acquisition | 513,833 | - | - | 451,440 |
| Long-term debt interest | 193,209 | - | - | - |
| AEA flowthrough | 170,488 | - | 170,488 | - |
| Depreciation (unallocated)* | 10,765 | - | - | - |
| | 888,295 | - | 170,488 | 451,440 |
| Total governmental activities | 5,872,149 | 877,247 | 709,156 | 451,440 |
| Business type activities | | | | |
| Non-instructional programs: | | | | |
| Food service operations | 170,447 | 83,080 | 89,459 | - |
| Total | 6,042,596 | 960,327 | 798,615 | 451,440 |
| **General Revenues:** | | | | |
| Property taxes levied for: | | | | |
| General purposes | | | | |
| Debt service | | | | |
| Capital outlay | | | | |
| Income surtax | | | | |
| Local option sales and services tax | | | | |
| Unrestricted state grants | | | | |
| Unrestricted investment earnings | | | | |
| Other | | | | |
| Total general revenues | | | | |
| **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 expenses of the various programs.

See notes to financial statements.

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

| Net (Expense) Revenue and Changes in Net Assets | | |
|---|---|---|
| Governmental Activities | Business Type Activities | Total |
| (1,309,549) | - | (1,309,549) |
| (551,264) | - | (551,264) |
| (336,887) | - | (336,887) |
| (2,197,700) | - | (2,197,700) |
| (63,427) | - | (63,427) |
| (174,718) | - | (174,718) |
| (481,717) | - | (481,717) |
| (322,657) | - | (322,657) |
| (321,057) | - | (321,057) |
| (1,363,576) | - | (1,363,576) |
| (6,663) | - | (6,663) |
| (62,393) | - | (62,393) |
| (193,209) | - | (193,209) |
| - | - | - |
| (10,765) | - | (10,765) |
| (266,367) | - | (266,367) |
| (3,834,306) | - | (3,834,306) |
| - | 2,092 | 2,092 |
| (3,834,306) | 2,092 | (3,832,214) |
| 1,498,169 | - | 1,498,169 |
| 209,007 | - | 209,007 |
| 74,924 | - | 74,924 |
| 151,015 | - | 151,015 |
| 249,222 | - | 249,222 |
| 1,990,270 | - | 1,990,270 |
| 81,722 | 42 | 81,764 |
| 35,774 | - | 35,774 |
| 4,290,103 | 42 | 4,290,145 |
| 455,797 | 2,134 | 457,931 |
| 3,339,423 | 9,507 | 3,348,930 |
| 3,795,220 | 11,641 | 3,806,861 |

See notes to financial statements.

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2004

| | General Fund | Capital Projects | Nonmajor Governmental Funds | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Assets** | | | | |
| Cash and pooled investments: | | | | |
| ISCAP | 826,275 | - | - | 826,275 |
| Other | 701,752 | 2,094,256 | 521,953 | 3,317,961 |
| Cash with fiscal agent | - | 86,096 | - | 86,096 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 16,688 | - | 4,014 | 20,702 |
| Succeeding year | 1,487,456 | - | 316,423 | 1,803,879 |
| Accrued interest - ISCAP | 3,254 | - | - | 3,254 |
| Due from other governments | 410,071 | 18,292 | 210,124 | 638,487 |
| **Total assets** | 3,445,496 | 2,198,644 | 1,052,514 | 6,696,654 |
| **Liabilities and Fund Balances** | | | | |
| Liabilities: | | | | |
| Accounts payable | 490,225 | 579,904 | 1,159 | 1,071,288 |
| Salaries and benefits payable | 356,321 | - | - | 356,321 |
| ISCAP warrants payable | 821,000 | - | - | 821,000 |
| ISCAP accrued interest payable | 4,933 | - | - | 4,933 |
| ISCAP premium | 6,011 | - | - | 6,011 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 1,487,456 | - | 316,423 | 1,803,879 |
| Other | - | - | 201,124 | 201,124 |
| Total liabilities | 3,165,946 | 579,904 | 518,706 | 4,264,556 |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Gifted and talented program | 20,129 | - | - | 20,129 |
| Iowa early intervention block grant | 50,872 | - | - | 50,872 |
| Debt service | - | 86,098 | 25,391 | 111,489 |
| Unreserved | 208,549 | 1,532,642 | 508,417 | 2,249,608 |
| Total fund balances | 279,550 | 1,618,740 | 533,808 | 2,432,098 |
| **Total liabilities and fund balances** | 3,445,496 | 2,198,644 | 1,052,514 | 6,696,654 |

See notes to financial statements.

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2004

| | $ |
|---|---|
| **Total fund balances of governmental funds (Exhibit C)** | 2,432,098 |
| ***Amounts reported for governmental activities in the Statement of Net Assets are different because:*** | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 6,615,398 |
| Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. | 201,124 |
| 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 | (33,188) |
| Long-term liabilities, including bonds payable and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds. | (5,420,212) |
| **Net assets of governmental activities (Exhibit A)** | 3,795,220 |

See notes to financial statements.

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2004

| | General Fund | Capital Projects | Nonmajor Governmental Funds | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | 1,448,299 | 249,222 | 525,821 | 2,223,342 |
| Tuition | 567,344 | - | - | 567,344 |
| Other | 121,840 | 62,699 | 207,211 | 391,750 |
| State sources | 2,367,999 | - | 325 | 2,368,324 |
| Federal sources | 331,102 | 426,363 | 25,077 | 782,542 |
| Total revenues | 4,836,584 | 738,284 | 758,434 | 6,333,302 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular instruction | 2,085,811 | - | 18,855 | 2,104,666 |
| Special instruction | 852,418 | - | - | 852,418 |
| Other instruction | 337,767 | - | 219,656 | 557,423 |
| | 3,275,996 | - | 238,511 | 3,514,507 |
| Support services: | | | | |
| Student services | 85,295 | - | 175 | 85,470 |
| Instructional staff services | 172,099 | - | 197 | 172,296 |
| Administration services | 455,729 | - | 20,588 | 476,317 |
| Operation and maintenance of plant services | 302,156 | - | 30,565 | 332,721 |
| Transportation services | 322,761 | - | 23,314 | 346,075 |
| | 1,338,040 | - | 74,839 | 1,412,879 |
| Non-instructional programs | 4,650 | - | 2,013 | 6,663 |
| Other expenditures: | | | | |
| Facilities acquisition | - | 4,973,628 | 27,237 | 5,000,865 |
| Long-term debt: | | | | |
| Principal | - | - | 160,000 | 160,000 |
| Interest and fiscal charges | - | - | 191,965 | 191,965 |
| AEA flowthrough | 170,488 | - | - | 170,488 |
| | 170,488 | 4,973,628 | 379,202 | 5,523,318 |
| Total expenditures | 4,789,174 | 4,973,628 | 694,565 | 10,457,367 |
| Excess (deficiency) of revenues over (under) expenditures | 47,410 | (4,235,344) | 63,869 | (4,124,065) |
| Other financing sources (uses): | | | | |
| Compensation for loss of fixed assets | 22,005 | - | - | 22,005 |
| Sale of property | - | - | 10,000 | 10,000 |
| Sale of revenue bonds | - | 850,000 | - | 850,000 |
| Sales of materials and equipment | 3,644 | - | - | 3,644 |
| Operating transfers in | - | - | 140,000 | 140,000 |
| Operating transfers out | - | - | (140,000) | (140,000) |
| Total other financing sources (uses) | 25,649 | 850,000 | 10,000 | 885,649 |
| Net change in fund balances | 73,059 | (3,385,344) | 73,869 | (3,238,416) |
| Fund balances beginning of year, as restated | 206,491 | 5,004,084 | 459,939 | 5,670,514 |
| Fund balances end of year | 279,550 | 1,618,740 | 533,808 | 2,432,098 |

See notes to financial statements.

MAPLE VALLEY 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)** | | (3,238,416) |
| ***Amounts reported for governmental activities in the Statement of Activities are different because:*** | | |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year as as follows: | | |
| Expenditures for capital assets | 4,553,936 | |
| Depreciation expense | (92,002) | 4,461,934 |
| 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. | | (41,005) |
| Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. | | 160,000 |
| 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. | | (1,244) |
| 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 | | (35,472) |
| Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets. | | (850,000) |
| **Changes in net assets of governmental activities (Exhibit B)** | | 455,797 |

See notes to financial statements.

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2004

| | Nonmajor School Nutrition |
|---|---|
| | $ |
| **Assets** | |
| Cash and cash equivalents | 3,585 |
| Accounts receivable | 187 |
| Inventories | 4,611 |
| Capital assets, net of accumulated depreciation | 4,215 |
| **Total assets** | 12,598 |
| **Liabilities** | |
| Deferred revenue | 957 |
| **Net assets** | |
| Invested in capital assets, net of related debt | 4,215 |
| Unrestricted | 7,426 |
| **Total net assets** | 11,641 |

See notes to financial statements

Exhibit H

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

| | Nonmajor School Nutrition |
|---|---|
| | $ |
| Operating revenue: | |
| Local sources: | |
| Charges for service | 83,080 |
| Operating expenses: | |
| Non-instructional programs: | |
| Salaries | 70,870 |
| Benefits | 11,905 |
| Purchased services | 690 |
| Supplies | 86,170 |
| Depreciation | 812 |
| | 170,447 |
| Operating gain (loss) | (87,367) |
| Non-operating revenue: | |
| State sources | 2,543 |
| Federal sources | 86,916 |
| Interest income | 42 |
| Total non-operating revenue | 89,501 |
| Change in net assets | 2,134 |
| Net assets beginning of year | 9,507 |
| Net assets end of year | 11,641 |

See notes to financial statements.

Exhibit I

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2004

| | Nonmajor School Nutrition |
|---|---|
| | $ |
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | 82,957 |
| Cash payments to employees for services | (82,775) |
| Cash payments to suppliers for goods or services | (69,824) |
| Net cash used by operating activities | (69,642) |
| | |
| Cash flows from non-capital financing activities: | |
| Operating transfers | (2,500) |
| State grants received | 2,543 |
| Federal grants received | 75,937 |
| Net cash provided by non-capital financing activities | 75,980 |
| | |
| Cash flows from capital and related financing activities: | |
| Acquisition of capital assets | (3,201) |
| | |
| Cash flows from investing activities: | |
| Interest on investments | 42 |
| | |
| Net increase (decrease) in cash and cash equivalents | 3,179 |
| | |
| Cash and cash equivalents at beginning of year | 406 |
| | |
| Cash and cash equivalents at end of year | 3,585 |
| | |
| **Reconciliation of operating gain (loss) to net cash used by operating activities:** | |
| Operating gain (loss) | (87,367) |
| Adjustments to reconcile operating gain (loss) to net cash used by operating activities: | |
| Commodities used | 17,163 |
| Depreciation | 812 |
| Decrease (increase) in inventories | (127) |
| Decrease (increase) in accounts receivable | (131) |
| (Decrease) increase in deferred revenue | 8 |
| | |
| Net cash used in operating activities | (69,642) |

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received $17,163 of federal commodities.

See notes to financial statements.

## 1. Summary of Significant Accounting Policies

Maple Valley 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 City of Mapleton, Iowa and the predominately agricultural territory in a portion of Monona, Ida, Woodbury and Crawford 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, Maple Valley 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 Maple Valley Community School District has no component units that 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 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 and proprietary. 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 instruction, support and other costs.

The Capital Projects fund is used to account for all resources used in the acquisition and construction of capital facilities.

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.

C. Measurement Focus and Basis of Accounting

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

| Asset Class | Amount |
|---|---|
| | $ |
| Land | 500 |
| Buildings | 2,500 |
| Improvements other that buildings | 2,500 |
| Furniture and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other furniture and equipment | 2,500 |

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

| Asset Class | Estimated Useful Lives |
|---|---|
| Buildings | 50 years |
| Improvements other than buildings | 5-20 years |
| Furniture and equipment | 3-15 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 receivable 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 vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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 did not exceed 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 investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of $872,302 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. 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 | Special Revenue: | |
| | Physical Plant and Equipment Levy Fund | 140,000 |

This transfer reflects funds used for debt service payments.

## 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. 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 | 598,045 | 3,254 | 594,000 | 4,933 |
| 2004-05A | 6/30/04 | 6/30/05 | 228,230 | - | 227,000 | - |
| Total | | | 826,275 | 3,254 | 821,000 | 4,933 |

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 |
|---|---|---|---|
| $ | $ | $ | $ |
| - | - | - | - |

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 |
|---|---|---|
| | % | % |
| 2003-04B | 2.00 | 1.131 |
| 2004-05A | 3.00 | 2.463 |

## 5. 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: | | | | |
| Construction in progress | 1,817,990 | 4,487,032 | - | 6,305,022 |
| Land | 10,164 | - | - | 10,164 |
| Total capital assets not being depr. | 1,828,154 | 4,487,032 | - | 6,315,186 |
| Capital assets being depreciated: | | | | |
| Buildings | 949,351 | - | - | 949,351 |
| Improvements other than buildings | 238,951 | - | - | 238,951 |
| Furniture and equipment | 978,296 | 66,904 | 40,927 | 1,004,273 |
| Total capital assets being deprec. | 2,166,598 | 66,904 | 40,927 | 2,192,575 |
| Less accumulated depreciation for: | | | | |
| Buildings | 880,241 | 6,760 | - | 887,001 |
| Improvements other than buildings | 232,943 | 4,005 | - | 236,948 |
| Furniture and equipment | 728,104 | 81,237 | 40,927 | 768,414 |
| Total accumulated depreciation | 1,841,288 | 92,002 | 40,927 | 1,892,363 |
| Total capital assets being depreciated, net | 325,310 | (25,098) | - | 300,212 |
| Governmental activities capital assets, net | 2,153,464 | 4,461,934 | - | 6,615,398 |

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Business type activities:** | | | | |
| Furniture and equipment | 69,175 | 3,201 | - | 72,376 |
| Less accumulated depreciation | 67,349 | 812 | - | 68,161 |
| Business type activities capital assets, net | 1,826 | 2,389 | - | 4,215 |

Depreciation expense was charged to the following functions:

| | $ |
|---|---|
| Governmental activities: | |
| Instruction: | |
| Regular | 11,495 |
| Support Services: | |
| Administration services | 5,400 |
| Operation and maintenance of plant services | 2,422 |
| Transportation | 61,920 |
| | 81,237 |
| Unallocated depreciation | 10,765 |
| Total depreciation expense – governmental activities | 92,002 |
| Business type activities: | |
| Food services | 812 |

## 6. 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 | 4,575,000 | - | 160,000 | 4,415,000 | 165,000 |
| Local option sales and services tax revenue bonds | - | 850,000 | - | 850,000 | - |
| Early retirement | 116,314 | 66,425 | 27,527 | 155,212 | 30,636 |
| Total | 4,691,314 | 916,425 | 187,527 | 5,420,212 | 195,636 |

Early Retirement

The District offers a voluntary early retirement plan to its certified 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. Early retirement incentives are based on prior year salary. Early retirement expenditures for the year ended June 30, 2004 totaled $27,527

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 December ,2001 | | | |
|---|---|---|---|---|
| | Interest Rates | Principal | Interest | Total |
| | % | $ | $ | $ |
| 2005 | 3.50 | 165,000 | 186,065 | 351,065 |
| 2006 | 3.75 | 180,000 | 180,290 | 360,290 |
| 2007 | 3.75 | 190,000 | 173,540 | 363,540 |
| 2008 | 4.0 | 200,000 | 166,415 | 366,415 |
| 2009 | 4.0 | 210,000 | 158,415 | 368,415 |
| 2010-2014 | 4.0-4.10 | 1,155,000 | 658,840 | 1,813,840 |
| 2015-2019 | 4.10-4.50 | 1,345,000 | 410,050 | 1,755,050 |
| 2020-2022 | 4.60-4.80 | 970,000 | 93,300 | 1,063,300 |
| | | 4,415,000 | 2,026,916 | 6,441,915 |

Revenue Bonds Payable

Details of the District's June 30, 2004 local option sales and services tax revenue bonded indebtedness are as follows:

| Year Ending June 30, | Revenue Bond Issue June 2004 | | | |
|---|---|---|---|---|
| | Interest Rates | Principal | Interest | Total |
| | % | $ | $ | $ |
| 2005 | - | - | 15,352 | 15,352 |
| 2006 | 2.50 | 145,000 | 24,505 | 169,505 |
| 2007 | 2.80 | 180,000 | 20,172 | 200,172 |
| 2008 | 3.00 | 185,000 | 14,877 | 199,877 |
| 2009 | 3.40 | 185,000 | 8,957 | 193,957 |
| 2010 | 3.75 | 155,000 | 2,907 | 157,907 |
| | | 850,000 | 86,770 | 936,770 |

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services revenue bonds include the following provisions:

- The bonds will only be redeemed from the future earnings of the local option sales tax revenues received by the District and the bond holders hold a lien on the future revenues received.

- Bonds maturing after Julry 1, 2008, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.

- $85,000 of the proceeds from the bond issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available for bond payments.

## 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 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 $139,208, $139,516, and $140,003 respectively, equal to the required contributions for each year.

## 8. Risk Management

Maple Valley 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 $301,297.

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.

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

## 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled $170,488 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. Construction Commitment

The District has entered into contracts totaling $7,467,562 for construction of a new high school facility and remodeling of other facilities. As of June 30, 2004 costs of $6,305,022 had been incurred against the contracts and $1,160,092 was still unearned and incomplete.

## 11. 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 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 (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 | | | |
|---|---|---|---|---|
| | General | Capital Project | Nonmajor | Total |
| | $ | | $ | $ |
| Net assets, June 30, 2003, as previously reported | 206,491 | 5,004,084 | 456,513 | 5,667,088 |
| GASB Interpretation 6 adjustments | - | - | 3,426 | 3,426 |
| Net assets, July 1, 2003, as restated for Governmental funds | 206,491 | 5,004,084 | 459,939 | 5,670,514 |
| GASB 34 adjustments: | | | | |
| Capital assets net of accumulated depreciation of $1,841,288 | | | | 2,153,464 |
| Long-term liabilities: | | | | |
| Bonds | | | | (4,575,000) |
| Early retirement | | | | (119,740) |
| Accrued interest payable | | | | (31,944) |
| Deferred revenue | | | | 242,129 |

| | |
|---|---|
| Net assets, July 1, 2003, as restated | 3,339,423 |

REQUIRED SUPPLEMENTARY INFORMATION

MAPLE VALLEY 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 Fund Actual | Proprietary Fund Actual | Total Actual | Budgeted Amounts | | Final to Actual Variance - Positive (Negative) |
|---|---|---|---|---|---|---|
| | | | | Original | Final | |
| | $ | $ | $ | | $ | $ |
| Receipts: | | | | | | |
| Local sources | 3,170,257 | 82,999 | 3,253,256 | 3,352,308 | 3,352,308 | (99,052) |
| State sources | 2,347,598 | 2,543 | 2,350,141 | 2,463,612 | 2,463,612 | (113,471) |
| Federal sources | 752,623 | 93,100 | 845,723 | 350,000 | 350,000 | 495,723 |
| Total receipts | 6,270,478 | 178,642 | 6,449,120 | 6,165,920 | 6,165,920 | 283,200 |
| Disbursements: | | | | | | |
| Instruction | 3,524,712 | - | 3,524,712 | 4,472,646 | 4,472,646 | 947,934 |
| Support services | 1,386,266 | - | 1,386,266 | 1,882,361 | 1,882,361 | 496,095 |
| Non-instructional programs | 6,663 | 169,762 | 176,425 | 208,259 | 208,259 | 31,834 |
| Other expenditures | 5,472,492 | - | 5,472,492 | 7,701,589 | 7,701,589 | 2,229,097 |
| Total disbursements | 10,390,133 | 169,762 | 10,559,895 | 14,264,855 | 14,264,855 | 3,704,960 |
| Excess (deficiency) of receipts over (under) disbursements | (4,119,655) | 8,880 | (4,110,775) | (8,098,935) | (8,098,935) | 3,988,160 |
| Other financing sources (uses) net | 885,649 | (5,701) | 879,948 | 980,000 | 980,000 | (100,052) |
| Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements | (3,234,006) | 3,179 | (3,230,827) | (7,118,935) | (7,118,935) | 3,888,108 |
| Balance beginning of year | 6,638,063 | 406 | 6,638,469 | 7,164,115 | 7,164,115 | (525,646) |
| Balance end of year | 3,404,057 | 3,585 | 3,407,642 | 45,180 | 45,180 | 3,362,462 |

See accompanying independent auditor's report

MAPLE VALLEY 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 | 6,270,478 | 62,824 | 6,333,302 |
| Expenditures | 10,390,133 | 67,234 | 10,457,367 |
| Net | (4,119,655) | (4,410) | (4,124,065) |
| Other financing sources (uses) net | 885,649 | - | 885,649 |
| Beginning fund balances | 6,638,063 | (967,549) | 5,670,514 |
| Ending fund balances | 3,404,057 | (971,959) | 2,432,098 |

| | Proprietary Fund | | |
|---|---|---|---|
| | Enterprise | | |
| | Cash Basis | Accrual Adjustments | Accrual Basis |
| | $ | $ | $ |
| Revenues | 178,642 | (6,061) | 172,581 |
| Expenditures | 169,762 | 685 | 170,447 |
| Net | 8,880 | (6,746) | 2,134 |
| Other financing sources (uses) net | (5,701) | 5,701 | - |
| Beginning fund balances | 406 | 9,101 | 9,507 |
| Ending fund balances | 3,585 | 8,056 | 11,641 |

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as 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 did not amend their budget.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

| | Special Revenue Funds | | | | |
|---|---|---|---|---|---|
| **Assets** | Management Levy | Student Activity Fund | Physical Plant and Equipment Levy | Debt Service | Total |
| | $ | $ | $ | $ | $ |
| Cash and pooled investments | 105,719 | 79,627 | 313,752 | 22,855 | 521,953 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 575 | - | 903 | 2,536 | 4,014 |
| Succeeding year | 75,000 | - | 55,057 | 186,366 | 316,423 |
| Due from other governments | - | - | 210,124 | - | 210,124 |
| **Total assets** | 181,294 | 79,627 | 579,836 | 211,757 | 1,052,514 |
| **Liabilities & Fund Balances** | | | | | |
| Liabilities: | | | | | |
| Accounts payable | - | 1,159 | - | - | 1,159 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 75,000 | - | 55,057 | 186,366 | 316,423 |
| Other | - | - | 201,124 | - | 201,124 |
| Total liabilities | 75,000 | 1,159 | 256,181 | 186,366 | 518,706 |
| Fund balances: | | | | | |
| Reserved for debt service | - | - | - | 25,391 | 25,391 |
| Unreserved fund balance | 106,294 | 78,468 | 323,655 | - | 508,417 |
| Total fund balances | 106,294 | 78,468 | 323,655 | 25,391 | 533,808 |
| **Total liabilities and fund balances** | 181,294 | 79,627 | 579,836 | 211,757 | 1,052,514 |

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

| | Special Revenue Funds | | | | |
|---|---|---|---|---|---|
| | Management Levy | Student Activity Fund | Physical Plant and Equipment Levy | Debt Service | Total |
| | $ | $ | $ | $ | $ |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | 49,870 | - | 266,944 | 209,007 | 525,821 |
| Other | 542 | 204,496 | 1,879 | 294 | 207,211 |
| State sources | 45 | - | 74 | 206 | 325 |
| Federal sources | - | - | 25,077 | - | 25,077 |
| Total revenues | 50,457 | 204,496 | 293,974 | 209,507 | 758,434 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular instruction | 18,855 | - | - | - | 18,855 |
| Other instruction | - | 219,656 | - | - | 219,656 |
| Support services: | | | | | |
| Student services | 175 | - | - | - | 175 |
| Instructional staff services | 197 | - | - | - | 197 |
| Administration services | 20,588 | - | - | - | 20,588 |
| Operation and maintenance of plant services | 30,565 | - | - | - | 30,565 |
| Transportation services | 23,314 | - | - | - | 23,314 |
| Non-instructional programs | 2,013 | - | - | - | 2,013 |
| Other expenditures: | | | | | |
| Facilities acquisition | - | - | 27,237 | - | 27,237 |
| Long-term debt: | | | | | |
| Principal | - | - | - | 160,000 | 160,000 |
| Interest and fiscal charges | - | - | - | 191,965 | 191,965 |
| Total expenditures | 95,707 | 219,656 | 27,237 | 351,965 | 694,565 |
| Excess (deficiency) of revenues over (under) expenditures | (45,250) | (15,160) | 266,737 | (142,458) | 63,869 |
| Other financing sources (uses): | | | | | |
| Sale property | - | - | 10,000 | - | 10,000 |
| Operating transfers in | - | - | - | 140,000 | 140,000 |
| Operating transfers out | - | - | (140,000) | - | (140,000) |
| Total other financing sources (uses) | - | - | (130,000) | 140,000 | 10,000 |
| Net change in fund balances | (45,250) | (15,160) | 136,737 | (2,458) | 73,869 |
| Fund balances beginning of year, as restated | 151,544 | 93,628 | 186,918 | 27,849 | 459,939 |
| Fund balances end of year | 106,294 | 78,468 | 323,655 | 25,391 | 533,808 |

See accompanying independent auditor's report.

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

| | Balance Beginning of Year | Revenues | Expenditures | Account Transfers | Balance End of Year |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Yearbook | 7,181 | 13,658 | 12,491 | - | 8,348 |
| Spanish trip | 1,040 | 92 | 91 | - | 1,041 |
| FCCLA-home ec. Club | 267 | 410 | 632 | - | 45 |
| Drama | 1,372 | 1,732 | 2,325 | - | 779 |
| Vocal trip | 319 | 437 | 888 | 132 | - |
| Vocal music | 4,231 | 1,992 | 3,753 | (132) | 2,338 |
| Instrumental music trip | 5,815 | 5,530 | 8,912 | - | 2,433 |
| Instrumental music | 487 | 678 | 873 | - | 292 |
| General athletics | 14,020 | 2,802 | 10,729 | 4,819 | 10,912 |
| Softball scoreboard acct. | 10,244 | 141 | - | - | 10,385 |
| Boys/girls basketball | - | 5,806 | 3,292 | (2,514) | - |
| Boys/girls track | - | 2,009 | 2,769 | 759 | (1) |
| Boys/girls golf | - | 36 | 224 | 188 | - |
| Boys football | - | 8,109 | 4,634 | (3,475) | - |
| Boys baseball | - | 3,510 | 2,760 | (750) | - |
| Boys wrestling | - | 1,711 | 1,904 | 193 | - |
| Volleyball | - | 3,458 | 2,242 | (1,216) | - |
| Girls softball | - | 1,991 | 3,351 | 1,360 | - |
| Cross country | - | 100 | 548 | 448 | - |
| General athletics-uniforms | 5,034 | - | 4,263 | - | 771 |
| State tournament account | 3,423 | 108 | 464 | - | 3,067 |
| Special boys basketball | 822 | - | 781 | - | 41 |
| Special girls basketball | 1,862 | 2,283 | 3,251 | - | 894 |
| Special baseball | 2,377 | 2,229 | 4,646 | 40 | - |
| Special softball | 2,196 | 4,737 | 4,866 | (643) | 1,424 |
| Special football | 4,439 | 9,896 | 6,069 | - | 8,266 |
| Special volleyball | 927 | 1,299 | 1,272 | - | 954 |
| Special wrestling | 473 | 1,652 | 2,464 | 339 | - |
| Special girls track | 1,487 | 655 | 644 | - | 1,498 |
| Special golf | 1,015 | 330 | 1,073 | - | 272 |
| Special cross country | 897 | 14 | 133 | - | 778 |
| Cheerleaders | 2,862 | 669 | 2,008 | - | 1,523 |
| Ram wear | 310 | 4,292 | 2,170 | - | 2,432 |
| Dance team | 2,668 | 695 | 2,804 | - | 559 |
| FFA | 8,935 | 45,526 | 52,076 | - | 2,385 |
| FFA thrift account | 2,746 | - | 925 | - | 1,821 |
| Business Professionals of America | 2,413 | 13,695 | 13,197 | - | 2,911 |
| Destination imagination | 80 | 8,057 | 5,376 | - | 2,761 |
| Student council | 937 | 1,414 | 2,418 | 67 | - |
| Concessions | - | 11,429 | 8,399 | - | 3,030 |

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

| | Balance Beginning of Year | Revenues | Expenditures | Account Transfers | Balance End of Year |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Student equipment | - | 446 | - | - | 446 |
| Students pop | 53 | 19,626 | 17,416 | - | 2,263 |
| HS special activities | 1,600 | 2,472 | 997 | - | 3,075 |
| Elementary special activities | 1,145 | 2,608 | 2,047 | - | 1,706 |
| Class of 2004 | 117 | 2,621 | 3,123 | 385 | - |
| Class of 2005 | - | 13,541 | 13,363 | - | 178 |
| Beginning accruals | (166) | - | (166) | - | - |
| Ending accruals | - | - | 1,159 | - | (1,159) |
| Totals | 93,628 | 204,496 | 219,656 | - | 78,468 |

MAPLE VALLEY 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 | 2,223,342 | 2,019,842 | 1,739,500 | 1,686,328 |
| Tuition | 567,344 | 550,460 | 572,954 | 548,852 |
| Other | 391,750 | 480,510 | 361,567 | 501,843 |
| State sources | 2,368,324 | 3,388,379 | 2,326,840 | 2,348,851 |
| Federal sources | 782,542 | 327,908 | 158,902 | 200,783 |
| Total revenues | 6,333,302 | 6,767,099 | 5,159,763 | 5,286,657 |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular instruction | 2,104,666 | 2,071,861 | 2,158,650 | 1,990,047 |
| Special instruction | 852,418 | 793,232 | 843,114 | 827,680 |
| Other instruction | 557,423 | 530,182 | 505,621 | 556,256 |
| Support services: | | | | |
| Student services | 85,470 | 81,847 | 82,788 | 79,960 |
| Instructional staff services | 172,296 | 159,267 | 191,949 | 211,485 |
| Administration services | 476,317 | 466,343 | 462,976 | 450,831 |
| Operation and maintenance of plant services | 332,721 | 298,437 | 318,753 | 328,546 |
| Transportation services | 346,075 | 364,434 | 307,685 | 394,123 |
| Non-instructional programs | 6,663 | 7,500 | 5,543 | 3,025 |
| Other expenditures: | | | | |
| Facilities acquisition | 5,000,865 | 2,078,050 | 70,518 | 23,843 |
| Long-term debt: | | | | |
| Principal | 160,000 | - | - | - |
| Interest and other charges | 191,965 | - | - | - |
| AEA flowthrough | 170,488 | 182,623 | 181,875 | 185,925 |
| Total expenditures | 10,457,367 | 7,033,776 | 5,129,472 | 5,051,721 |

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

| Grantor/Program | CFDA Number | Grant Number | Expenditures $ |
|---|---|---|---|
| Direct: | | | |
| U.S. Department of Education: | | | |
| Rural Education Achievment Program | 84.358 | S358A020777 | 13,501 |
| Indirect: | | | |
| U.S. Department of Agriculture: | | | |
| Iowa Department of Education: | | | |
| School Nutrition Cluster Programs: | | | |
| National School Lunch Program | 10.555 | FY04 | 61,358 |
| School Breakfast Program | 10.553 | FY04 | 8,395 |
| | | | 69,753 |
| Food Donation (Noncash) | 10.550 | FY04 | 17,163 |
| U.S. Department of Education: | | | |
| Iowa Department of Education: | | | |
| Fund for the Improvement of Education - Fire Safety Grant | 84.215 | FY02-03 | 25,078 |
| Fund for the Improvement of Education - Iowa Demonstration Construction Grant | 84.215 | FY02-03 | 426,363 |
| | | | 451,441 |
| Title I Grants to Local Education Agencies | 84.010 | 4033-G-04 | 133,041 |
| Title I Grants to Local Education Agencies | 84.010 | 4033-GC-04 | 4,473 |
| | | | 137,514 |
| Title IIA Federal Teacher Quality Program | 84.367 | FY04 | 57,087 |
| Grants for State Assessments and Related Activities | 84.369 | FY04 | 2,904 |
| Innovative Education Program Strategies (Title V Program) | 84.298 | FY04 | 3,761 |
| Safe & Drug Free Schools and Communities - State Grant | 84.186 | FY04 | 4,446 |
| Comprehensive School Reform | 84.332 | FY04 | 50,000 |
| Area Education Agency XII: | | | |
| Title I Accountability Grants | 84.348 | FY04 | 2,700 |
| Special Education Grants to States | 84.027 | FY04 | 28,890 |
| Total | | | 839,160 |

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

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

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

We have audited the financial statements of the Maple Valley Community School District as of and for the year ended June 30, 2004, and have issued our report dated September 22, 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 Maple Valley 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.

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

### Internal Control over Financial Reporting

In planning and performing our audit, we considered Maple Valley Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our 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 II of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

September 22, 2004

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

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

### Compliance

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

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

In our opinion, Maple Valley Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

### Internal Control over Compliance

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

We noted certain matters involving the internal control over compliance and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

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

This report, a public record by law, is intended solely for the information of the officials, employees and citizens of the District and other parties to whom the District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

September 22, 2004

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2004

Part I: Summary of the Independent Auditor's Results:

(a) An unqualified opinion was issued on the financial statements.

(b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including two material weaknesses.

(c) The audit did not disclose any noncompliance which is material to the financial statements.

(d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including two material weaknesses.

(e) An unqualified opinion was issued on compliance with requirements applicable to the major program.

(f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

(g) Major program was as follows:

- CFDA Number 84.215 – Fund for the Improvement Education

(h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

(i) Maple Valley Community School District did not qualify as a low-risk auditee.

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2004

Part II: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

04-II-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 and investigate methods to increase monitoring activities 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-II-B Supporting Invoices We noted in our testing a couple of supporting invoices which could not be located.

Recommendation: We recommend all purchases be supported by invoices..

District Response: We will insure we have supporting invoices for all purchases in the future.

Conclusion: Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

CFDA Number 84.215 – Fund for the Improvement of Education
Federal Award Year: 2003
U.S. Department of Education
Passed through the Iowa Department of Education

04-III-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. The District does perform internal audit checks as a check against the limited number of personnel.

Conclusion: Response accepted.

04-III-B Supporting Invoices We noted in our testing a couple of supporting invoices which could not be located.

Recommendation: We recommend all purchases be supported by invoices..

District Response: We will insure we have supporting invoices for all purchases in the future.

Conclusion: Response accepted.

Part IV: Other Findings Related to Statutory Reporting:

04-IV-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-IV-B Certified Budget: Disbursement for the year ended June 30, 2004, did not exceed the amounts budgeted.

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

04-IV-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-IV-E Business Transactions: No business transactions between the District and District officials or employees were noted.

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

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

04-IV-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.

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