

**OKOBOJI COMMUNITY SCHOOL DISTRICT**

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

June 30, 2004

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## Independent Auditor's Report

To the Board of Education of  
Okoboji 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 Okoboji Community School District, Milford, 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 Okoboji 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, Okoboji 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 October 28, 2004, on our consideration of Okoboji 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 12 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. 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 Okoboji Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

October 28, 2004

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## OKOBOJI COMMUNITY SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

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

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

### 2004 FINANCIAL HIGHLIGHTS

General fund revenues decreased from \$7,339,897 in fiscal 2003 to \$7,119,018 in fiscal 2004, while General fund expenditures increased from \$6,850,121 in fiscal 2003 to \$7,444,636 in fiscal 2004. The District's General fund balance decreased from \$1,120,097 in fiscal 2003 to \$794,479 in fiscal 2004, a 29% decrease.

The decrease in General Fund revenues was attributable to a 2.5% across the board reduction in school foundation aid. As a result, the District funded a portion of the current year General Fund expenditures from the carryover fund balance.

The increase in General Fund expenditures is partly due to the increase in salaries, health insurance and utilities. An increase in tuitioned out student costs also contributed to the increase in expenditures.

### 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 Okoboji 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 Okoboji 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 nonmajor Special Revenue Funds.

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

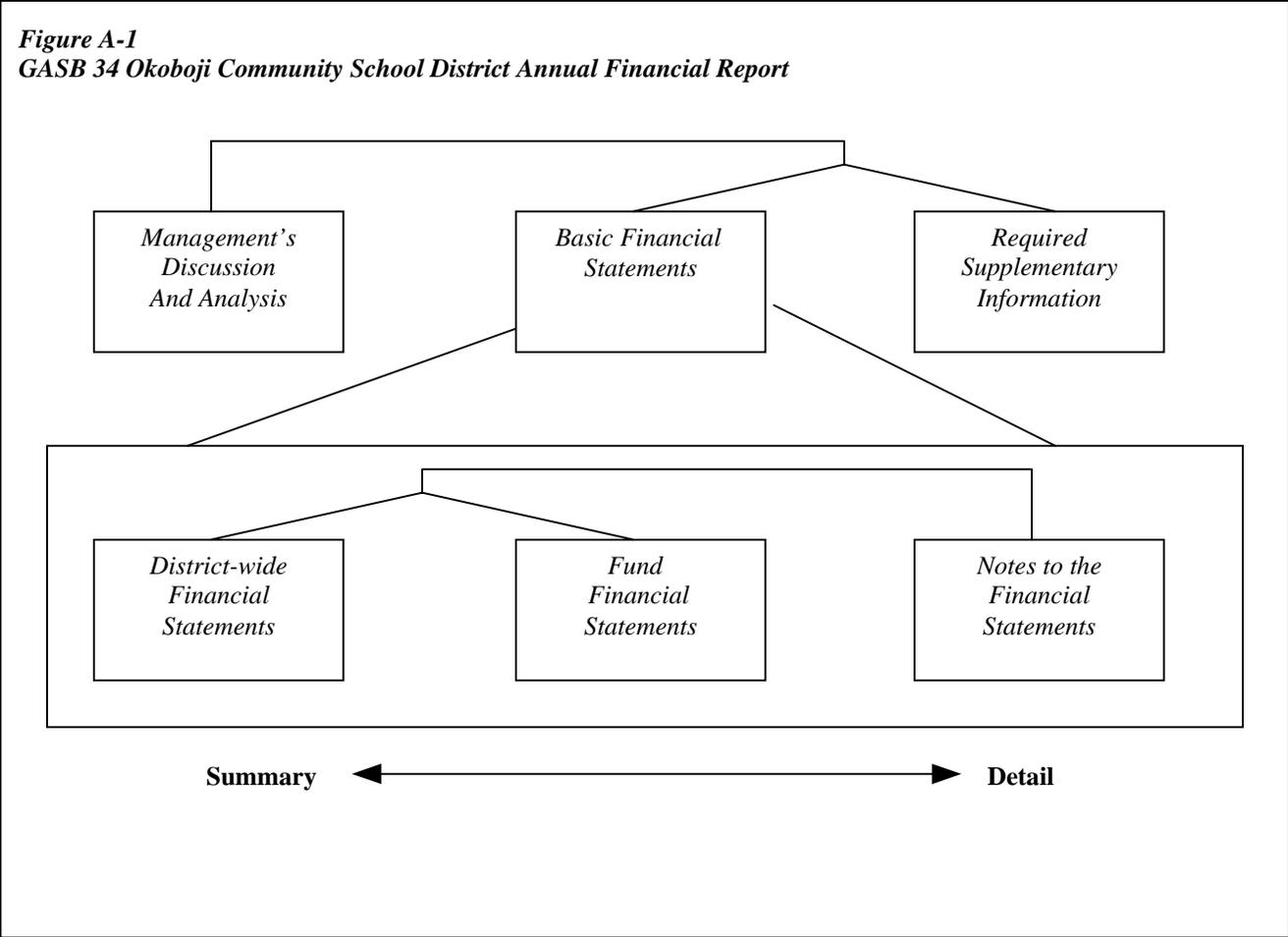


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Government 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 resource on behalf of someone else, such as scholarship programs.
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	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 District uses Internal Service funds, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund, the Cafeteria/Flex Benefits fund.

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

3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund. The District currently has two fiduciary funds, the Scholarship Fund and the Needs Fund.

- Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for students, teachers, and others. [The District does not have any agency funds at this time.](#)

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

## FINANCIAL ANALYSIS

The District adopted GASB Statement No. 34 during 2004. Efforts have been made to provide comparison to prior year data when such data is available, i.e. Condensed Statement of Net Assets. In subsequent years, comparison to prior year data will be provided for all key information.

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

*Figure A-3*

### *Condensed Statement of Net Assets*

	Governmental Activities		Business Type Activities		Total		Total % Change
	2003	2004	2003	2004	2003	2004	
Current and other assets	\$ 12,127,249	\$ 8,793,493	\$ 64,148	\$ 95,253	\$ 12,191,397	\$ 8,888,746	-27.09%
Capitol assets, net of accumulated depreciation	8,202,292	11,996,986	101,980	89,090	8,304,272	12,086,076	45.54%
<b>Total assets</b>	<b>20,329,541</b>	<b>20,790,479</b>	<b>166,128</b>	<b>184,343</b>	<b>20,495,669</b>	<b>20,974,822</b>	<b>2.34%</b>
Current liabilities	6,397,970	6,256,882	5,524	5,072	6,403,494	6,261,954	-2.21%
Long-term liabilities	5,221,154	5,252,838	-	-	5,221,154	5,252,838	0.61%
<b>Total liabilities</b>	<b>11,619,124</b>	<b>11,509,720</b>	<b>5,524</b>	<b>5,072</b>	<b>11,624,648</b>	<b>11,514,792</b>	<b>-0.95%</b>
<b>Net assets</b>							
Invested in capital assets, net of related debt	6,342,423	7,367,612	101,980	89,090	6,444,403	7,456,702	15.71%
Restricted	1,217,549	1,159,354	-	-	1,217,549	1,159,354	-4.78%
Unrestricted	1,150,445	753,793	58,624	90,181	1,209,069	843,974	-30.20%
<b>Total net assets</b>	<b>\$ 8,710,417</b>	<b>\$ 9,280,759</b>	<b>\$ 160,604</b>	<b>\$ 179,271</b>	<b>\$ 8,871,021</b>	<b>\$ 9,460,030</b>	<b>6.64%</b>

Net assets may serve, overtime, as a useful indicator of a government's financial position. In the case of the District, net assets increased 6.64% from \$8,871,021 to \$9,460,030 as of June 30, 2004.

A portion of the District's net assets (78.8%) reflects its investment in capital assets (e.g., land, land improvements, buildings and building improvements, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The Government-wide statements also include \$5,252,838 in long-term liabilities (see Note 6 to

the financial statements), including general obligation bonds, local option sales and services tax revenue bonds, revenue bond anticipation notes and early retirement.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

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

Figure A-4

	<i>Changes in Net Assets</i>		
	Governmental	Business	Total
	Activities	Type Activities	
	2004	2004	2004
<b>Revenues:</b>			
Program revenues:			
Charges for service	\$ 532,392	\$ 194,827	\$ 727,219
Operating grants and contributions	691,682	132,247	823,929
Capital grants and contributions	51,500	-	51,500
General revenues			
Property tax	5,116,569	-	5,116,569
Income surtax	85,433	-	85,433
Local option sales tax	978,821	-	978,821
Unrestricted state grants	1,519,567	-	1,519,567
Unrestricted investment earnings	50,195	1,557	51,752
Other	38,324	-	38,324
Total revenues	9,064,483	328,631	9,393,114
<b>Expenses:</b>			
Instruction	5,251,845	-	5,251,845
Support services	2,377,837	-	2,377,837
Non-instructional programs	-	309,964	309,964
Other expenses	864,459	-	864,459
Total expenses	8,494,141	309,964	8,804,105
<b>Change in net assets</b>	<b>\$ 570,342</b>	<b>\$ 18,667</b>	<b>\$ 589,009</b>

District revenues totaled \$9,393,114 of which 96% were from governmental activities. District expenses totaled \$8,804,105 of which 96% were from governmental funds.

Property taxes account for 54% of the total revenue, while unrestricted state grants (state aid) accounts for 16% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$9,064,483 and expenses were \$8,494,141. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

**Total and Net Cost of Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$ 5,251,845	\$ 4,333,282
Support services	2,377,837	2,362,824
Non-instructional programs	-	-
		522,461
Other expenses	864,459	
Total	<u>\$ 8,494,141</u>	<u>\$ 7,218,567</u>

- The cost financed by users of the District's programs was \$532,392.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$691,682.
- The net cost of governmental activities was financed with \$6,180,823 in property and other taxes and \$1,519,567 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$328,631 and expenses were \$309,964. (Refer to figure A-4) The District's business type activity includes the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, Okojoji 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 \$2,532,019, below last year's ending fund balances of \$5,731,960.

**Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the result of many factors. The increase in our property tax revenues was offset by the decrease in state aid and interest income for an overall decrease of revenues. The decrease in revenues coupled by the District's increase in General Fund expenditures required the District to use carryover fund balance to meet its financial obligations during the year.
- General Fund balance decreased from \$1,120,097 to \$794,479, due in part to negotiated salary and benefits settlement, the reduction in state aid and existing expenditure commitments of the District.
- Debt Service Fund balance decreased from \$817,099 in fiscal 2003 to \$805,855 in fiscal 2004, due in part to a decrease in interest income.
- Capitol Projects Fund balance decreased from \$3,240,131 at June 30, 2003 to \$285,626 at June 30,

2004. The decrease in the fund balance is due to the near completion of the new gym project and the early childhood wing at the Elementary School.

- Physical Plant and Equipment Levy (PEEL) Fund balance increased from \$173,766 in fiscal 2003 to \$259,984 in fiscal 2004. The district is increasing the fund balance in preparation for equipment for the new facilities, roof replacement, and a new bus.

**Proprietary Fund Highlights**

- School Nutrition Fund net assets increased from \$160,604 at June 30, 2003 to \$179,271 at June 30, 2004, representing an increase of approximately 11%. The Nutrition Fund continues to function without subsidizing from the General Fund. The last time meal prices were increase was fiscal year 2003.

**BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on the cash basis.

The District's receipts were \$267,694 more than budgeted receipts, a variance of 2.85%.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs area due to inadvertently leaving the non-instructional line zero on the certified budget. It was not noticed until it was too late to amend the budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2004, the District had invested \$12,086,076, net of accumulated depreciation, in a broad range of assets, including school buildings, athletic facilities, transportation equipment, computer and audio-visual equipment, and administrative offices. (See Figure A-6). More detailed information about capital assets can be found in Note 5 to the financial statements. Total depreciation expense for the year was \$365,475.

*Figure A-6*

*Capital Assets, Net of Depreciation*

	Governmental Activities	Business Type Activities	Total
	2004	2004	2004
Land	\$ 137,016	\$ -	\$ 137,016
Construction in progress	3,500,057	-	3,500,057
Buildings	7,653,245	-	7,653,245
Improvements other than buildings	310,100	-	310,100
Furniture and equipment	396,568	89,090	485,658
Total	<u>\$ 11,996,986</u>	<u>\$ 89,090</u>	<u>\$ 12,086,076</u>

During fiscal year 2004 the District substantially completed a 1.8 million dollar addition to the elementary school and began construction on a new gymnasium at the high school. The total gymnasium cost is approximately 3.9 million dollars, including the cost of additional land for the construction site. 3.3 million dollars was expended prior to June 30, 2004.

The District also purchased the following equipment during the year: computer labs for \$120,000, school bus for \$77,000, athletic and weight room equipment for \$59,000, maintenance equipment for \$15,000, shelving for \$13,000 and a phone system for \$9,000.

**Long-Term Debt**

At June 30, 2004, the District had \$5,252,838 in Local Option Sales Tax revenue bonds, general obligation and other long-term debt outstanding (Figure A-7). This represents an increase of approximately .76% from last year. Additional information about the District’s long-term debt is presented in Note 6 to the financial statements.

*Figure A-7*

<i>Long-Term Debt</i>		
	Balance End of 2004	Due Within One Year
General obligation bonds	\$ 900,000	\$ 350,000
Local option sales tax revenue bonds	3,515,000	355,000
Revenue bond anticipation notes	500,000	-
Early retirement	337,838	60,655
Total	<u>\$ 5,252,838</u>	<u>\$ 765,655</u>

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- Under Iowa’s school funding formula, the District is dependent on student enrollment. The District will see a declining enrollment trend continue into 2004-2005 with the loss of approximately 50 students. This is a decline of 91 students since FY 2000. An issue that impacts student enrollment is the lack of affordable housing in the District.
- The District is considering asking for a vote to change the usage of the 1% Local Option Sales and Service Tax to more like the PPEL tax.
- With the increase in healthcare benefits the District is exploring different options that could decrease the healthcare premiums.
- The District will be doing much less outsourcing for technology and technology-based services.

**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 Katy Sporrer, District Secretary and Business Manager, Okoboji Community School District, 1205

## BASIC FINANCIAL STATEMENTS

## OKOBOJI COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	3,227,278	82,285	3,309,563
Receivables:			
Property tax:			
Delinquent	44,351	-	44,351
Succeeding year	5,203,773	-	5,203,773
Accounts	1,450	112	1,562
Interfund receivable/payable	(2,685)	2,685	-
Due from other governments	319,326	-	319,326
Inventories	-	10,171	10,171
Capital assets, net of accumulated depreciation	11,996,986	89,090	12,086,076
<b>Total assets</b>	<b>20,790,479</b>	<b>184,343</b>	<b>20,974,822</b>
<b>Liabilities</b>			
Accounts payable	293,660	8	293,668
Salaries and benefits payable	672,272	-	672,272
Accrued interest payable	87,177	-	87,177
Deferred revenue:			
Succeeding year property tax	5,203,773	-	5,203,773
Other	-	5,064	5,064
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	350,000	-	350,000
Revenue bonds payable	355,000	-	355,000
Early retirement	60,655	-	60,655
Portion due after one year:			
General obligation bonds payable	550,000	-	550,000
Revenue bonds payable	3,160,000	-	3,160,000
Revenue bond anticipation notes	500,000	-	500,000
Early retirement	277,183	-	277,183
<b>Total liabilities</b>	<b>11,509,720</b>	<b>5,072</b>	<b>11,514,792</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	7,367,612	89,090	7,456,702
Restricted for:			
Phase III	3,577	-	3,577
Gifted and talented program	62,570	-	62,570
Iowa early intervention block grant	12,529	-	12,529
Physical plant and equipment levy	259,984	-	259,984
Other special revenue purposes	102,016	-	102,016
Debt service	718,678	-	718,678
Unrestricted	753,793	90,181	843,974
<b>Total net assets</b>	<b>9,280,759</b>	<b>179,271</b>	<b>9,460,030</b>

See notes to financial statements.

## OKOBOJI COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
<b>Governmental activities:</b>				
Instruction:				
Regular instruction	3,390,710	186,252	275,994	-
Special instruction	1,188,638	144,671	82,475	-
Other instruction	672,497	190,994	38,177	-
	<u>5,251,845</u>	<u>521,917</u>	<u>396,646</u>	<u>-</u>
Support services:				
Student services	304,356	-	4,538	-
Instructional staff services	250,005	-	-	-
Administration services	950,151	-	-	-
Operation and maintenance of plant services	624,630	10,475	-	-
Transportation services	248,695	-	-	-
	<u>2,377,837</u>	<u>10,475</u>	<u>4,538</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	129,111	-	-	51,500
Long-term debt interest	195,703	-	5,274	-
AEA flowthrough	285,224	-	285,224	-
Depreciation (unallocated)*	254,421	-	-	-
	<u>864,459</u>	<u>-</u>	<u>290,498</u>	<u>51,500</u>
Total governmental activities	8,494,141	532,392	691,682	51,500
<b>Business type activities</b>				
Non-instructional programs:				
Food service operations	309,964	194,827	132,247	-
Total	<u>8,804,105</u>	<u>727,219</u>	<u>823,929</u>	<u>51,500</u>
<b>General Revenues:</b>				
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.

## OKOBOJI COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(2,928,464)	-	(2,928,464)
(961,492)	-	(961,492)
<u>(443,326)</u>	-	<u>(443,326)</u>
<u>(4,333,282)</u>	-	<u>(4,333,282)</u>
(299,818)	-	(299,818)
(250,005)	-	(250,005)
(950,151)	-	(950,151)
(614,155)	-	(614,155)
<u>(248,695)</u>	-	<u>(248,695)</u>
<u>(2,362,824)</u>	-	<u>(2,362,824)</u>
(77,611)	-	(77,611)
(190,429)	-	(190,429)
-	-	-
<u>(254,421)</u>	-	<u>(254,421)</u>
<u>(522,461)</u>	-	<u>(522,461)</u>
(7,218,567)	-	(7,218,567)
-	17,110	17,110
<u>(7,218,567)</u>	<u>17,110</u>	<u>(7,201,457)</u>
4,544,673	-	4,544,673
377,306	-	377,306
194,590	-	194,590
85,433	-	85,433
978,821	-	978,821
1,519,567	-	1,519,567
50,195	1,557	51,752
<u>38,324</u>	-	<u>38,324</u>
<u>7,788,909</u>	<u>1,557</u>	<u>7,790,466</u>
570,342	18,667	589,009
<u>8,710,417</u>	<u>160,604</u>	<u>8,871,021</u>
<u>9,280,759</u>	<u>179,271</u>	<u>9,460,030</u>

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2004

	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments	1,430,092	802,785	340,030	651,695	3,224,602
Receivables:					
Property tax:					
Delinquent	38,567	3,070	-	2,714	44,351
Succeeding year	4,486,217	366,781	-	350,775	5,203,773
Accounts	1,450	-	-	-	1,450
Due from other governments	129,351	-	189,975	-	319,326
<b>Total assets</b>	<b>6,085,677</b>	<b>1,172,636</b>	<b>530,005</b>	<b>1,005,184</b>	<b>8,793,502</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	40,024	-	244,379	8,350	292,753
Salaries and benefits payable	672,272	-	-	-	672,272
Interfund payable	2,685	-	-	-	2,685
Deferred revenue:					
Succeeding year property tax	4,486,217	366,781	-	350,775	5,203,773
Other	90,000	-	-	-	90,000
Total liabilities	<u>5,291,198</u>	<u>366,781</u>	<u>244,379</u>	<u>359,125</u>	<u>6,261,483</u>
Fund balances:					
Reserved for:					
Phase III	3,577	-	-	-	3,577
Gifted and talented program	62,570	-	-	-	62,570
Iowa early intervention block grant	12,529	-	-	-	12,529
Debt service	-	805,855	-	-	805,855
Unreserved	715,803	-	285,626	646,059	1,647,488
Total fund balances	<u>794,479</u>	<u>805,855</u>	<u>285,626</u>	<u>646,059</u>	<u>2,532,019</u>
<b>Total liabilities and fund balances</b>	<b>6,085,677</b>	<b>1,172,636</b>	<b>530,005</b>	<b>1,005,184</b>	<b>8,793,502</b>

## OKOBOJI COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

<b>Total fund balances of governmental funds (Exhibit C)</b>	2,532,019
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	11,996,986
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	90,000
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(87,177)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	1,769
Long-term liabilities, including bonds payable, notes 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.	<u>(5,252,838)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>9,280,759</u></u>

## OKOBOJI COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	4,528,779	379,154	978,821	325,704	6,212,458
Tuition	271,723	-	-	-	271,723
Other	112,975	5,274	51,500	204,578	374,327
State sources	2,069,914	230	-	204	2,070,348
Federal sources	135,627	-	-	-	135,627
Total revenues	<u>7,119,018</u>	<u>384,658</u>	<u>1,030,321</u>	<u>530,486</u>	<u>9,064,483</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	3,415,732	-	-	-	3,415,732
Special instruction	1,188,638	-	-	-	1,188,638
Other instruction	487,901	-	-	177,199	665,100
	<u>5,092,271</u>	<u>-</u>	<u>-</u>	<u>177,199</u>	<u>5,269,470</u>
Support services:					
Student services	300,693	-	-	3,663	304,356
Instructional staff services	250,005	-	-	-	250,005
Administration services	639,918	3,814	-	89,735	733,467
Operation and maintenance of plant services	596,469	-	-	44,227	640,696
Transportation services	280,056	-	-	9,313	289,369
	<u>2,067,141</u>	<u>3,814</u>	<u>-</u>	<u>146,938</u>	<u>2,217,893</u>
Other expenditures:					
Facilities acquisition	-	-	3,988,392	132,923	4,121,315
Long-term debt:					
Principal	-	685,000	-	-	685,000
Interest and fiscal charges	-	203,522	-	-	203,522
AEA flowthrough	285,224	-	-	-	285,224
	<u>285,224</u>	<u>888,522</u>	<u>3,988,392</u>	<u>132,923</u>	<u>5,295,061</u>
Total expenditures	<u>7,444,636</u>	<u>892,336</u>	<u>3,988,392</u>	<u>457,060</u>	<u>12,782,424</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(325,618)</u>	<u>(507,678)</u>	<u>(2,958,071)</u>	<u>73,426</u>	<u>(3,717,941)</u>
Other financing sources (uses):					
Proceeds from long-term loans	-	-	500,000	-	500,000
Sales of real property	-	-	-	18,000	18,000
Operating transfers in	-	496,434	-	-	496,434
Operating transfers out	-	-	(496,434)	-	(496,434)
Total other financing sources (uses)	<u>-</u>	<u>496,434</u>	<u>3,566</u>	<u>18,000</u>	<u>518,000</u>
Net change in fund balances	<u>(325,618)</u>	<u>(11,244)</u>	<u>(2,954,505)</u>	<u>91,426</u>	<u>(3,199,941)</u>
Fund balances beginning of year, as restated	<u>1,120,097</u>	<u>817,099</u>	<u>3,240,131</u>	<u>554,633</u>	<u>5,731,960</u>
Fund balances end of year	<u><u>794,479</u></u>	<u><u>805,855</u></u>	<u><u>285,626</u></u>	<u><u>646,059</u></u>	<u><u>2,532,019</u></u>

See notes to financial statements.

## OKOBOJI 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

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(3,199,941)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year as follows:		
Expenditures for capital assets	4,160,993	
Depreciation expense	<u>(348,299)</u>	3,812,694
Proceeds from the sale of real property are recorded as other revenues in the governmental funds. However, only the gain on the sale is reported in the Statement of Activities.		(18,000)
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.		-
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.		685,000
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.		7,819
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		(216,684)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		(500,000)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>(546)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>570,342</u></u>

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2004

	<u>Enterprise Fund</u> Nonmajor School Nutrition \$	<u>Governmental Activities - Internal Service Fund</u> \$
<b>Assets</b>		
Cash and cash equivalents	82,285	2,676
Accounts receivable	112	-
Inventories	10,171	-
Interfund receivable	2,685	-
Capital assets, net of accumulated depreciation	<u>89,090</u>	<u>-</u>
<b>Total assets</b>	<u>184,343</u>	<u>2,676</u>
<b>Liabilities</b>		
Accounts payable	8	907
Deferred revenue	<u>5,064</u>	<u>-</u>
<b>Total liabilities</b>	<u>5,072</u>	<u>907</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	89,090	-
Unrestricted	<u>90,181</u>	<u>1,769</u>
<b>Total net assets</b>	<u><u>179,271</u></u>	<u><u>1,769</u></u>

## OKOBOJI COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	<u>Enterprise Fund</u> Nonmajor School Nutrition \$	<u>Governmental</u> Activities - Internal Service Fund \$
Operating revenue:		
Local sources:		
Charges for service	194,827	21,195
Operating expenses:		
Non-instructional programs:		
Salaries	101,769	-
Benefits	38,179	21,741
Purchased services	5,393	-
Supplies	147,290	-
Depreciation	17,176	-
Other	157	-
	<u>309,964</u>	<u>21,741</u>
Operating gain (loss)	<u>(115,137)</u>	<u>(546)</u>
Non-operating revenue:		
State sources	5,029	-
Federal sources	127,218	-
Interest income	1,557	-
Total non-operating revenue	<u>133,804</u>	<u>-</u>
Change in net assets	18,667	(546)
Net assets beginning of year	<u>160,604</u>	<u>2,315</u>
Net assets end of year	<u><u>179,271</u></u>	<u><u>1,769</u></u>

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2004

	<u>Enterprise Fund</u> Nonmajor School Nutrition \$	<u>Governmental</u> Activities - Internal Service Fund \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	195,297	-
Cash received from services provided to other funds	-	21,195
Cash payments to employees for services	(139,948)	(21,180)
Cash payments to suppliers for goods or services	(130,473)	-
Net cash used by operating activities	<u>(75,124)</u>	<u>15</u>
Cash flows from non-capital financing activities:		
State grants received	5,029	-
Federal grants received	103,001	-
Net cash provided by non-capital financing activities	<u>108,030</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Loan to General Fund	(2,685)	-
Acquisition of capital assets	(4,286)	-
Net cash used by capital and related financing activities	<u>(6,971)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>1,557</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	27,492	15
Cash and cash equivalents at beginning of year	<u>54,793</u>	<u>2,661</u>
Cash and cash equivalents at end of year	<u><u>82,285</u></u>	<u><u>2,676</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>		
Operating gain (loss)	(115,137)	(546)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	24,217	-
Depreciation	17,176	-
Decrease (increase) in inventories	(870)	-
Decrease (increase) in accounts receivable	(58)	-
(Decrease) increase in accounts payable	(980)	561
(Decrease) increase in deferred revenue	528	-
Net cash used in operating activities	<u>(75,124)</u>	<u>15</u>

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

During the year ended June 30, 2004, the District received \$24,217 of federal commodities.

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2004

	Private Purpose Trust Scholarship and Special Needs
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	30,370
<b>Liabilities</b>	
	<u>-</u>
<b>Net Assets</b>	
Reserved for scholarships	27,967
Unreserved	<u>2,403</u>
<b>Total net assets</b>	<u><u>30,370</u></u>

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2004

	Private Purpose Trust Scholarship and Special Needs
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	5,500
Interest	526
Total additions	<u>6,026</u>
Deductions:	
Support services:	
Scholarships awarded	172
Student special needs supplies	4,478
	<u>4,650</u>
Change in net assets	1,376
Net assets beginning of year	<u>28,694</u>
Net assets end of year	<u><u>30,070</u></u>

# OKOBOJI COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2004

### 1. Summary of Significant Accounting Policies

**Okoboji** Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the **Cities of Milford**, Arnolds Park, Fostoria, West Okoboji and Wahpeton Iowa and the predominately agricultural territory in a portion of **Dickinson and Clay 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, **Okoboji** 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 **Okoboji** 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, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

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

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

The District's internal service fund is also reported as a proprietary fund. The internal service fund is used to account for the District's employee benefit cafeteria plan.

The District also reports fiduciary funds, which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards and the purchase of items for students with personal needs.

#### 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.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	2,500
Improvements other than 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which 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 in the non-instructional programs function exceeded the amount 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's investments are categorized to give an indication of the level of risk assumed by the District at year end. The District's investments are all category 1 which means that the investments are insured or registered or the securities are held by the District or its agent in the District's name.

Investments are stated at fair market value. Securities traded on a national or international exchange is valued at the last reported sales price at current exchange rates.

The District's investments at June 30, 2004, are as follows:

<u>Type</u>	<u>Fair Value</u>
	\$
Goldman Sachs Treasury Instrument Fund	776,238

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$30,301 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 Receivables and Payables**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
Enterprise:		
School Nutrition Fund	General Fund	2,685

During the year the School Nutrition Fund purchased computers that were not suitable for the purpose intended. These computers are now being used for other purposes and the General Fund intends to reimburse the Nutrition Fund in the upcoming year.

#### 4. Interfund Transfers

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

Transfer to	Transfer from	Amount
		\$
Capital Projects Fund	Special Revenue: Physical Plant and Equipment Levy Fund	496,434

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

#### 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
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	1,818,410	3,694,198	2,012,551	3,500,057
Land	21,350	133,666	18,000	137,016
Total capital assets not being depr.	<u>1,839,760</u>	<u>3,827,864</u>	<u>2,030,551</u>	<u>3,637,073</u>
Capital assets being depreciated:				
Buildings	9,485,470	2,057,223	-	11,542,693
Improvements other than buildings	672,408	8,123	-	680,531
Furniture and equipment	1,303,966	280,334	-	1,584,300
Total capital assets being deprec.	<u>11,461,844</u>	<u>2,345,680</u>	<u>-</u>	<u>13,807,524</u>
Less accumulated depreciation for:				
Buildings	3,663,211	226,237	-	3,889,448
Improvements other than buildings	342,247	28,184	-	370,431
Furniture and equipment	1,093,854	93,878	-	1,187,732
Total accumulated depreciation	<u>5,099,312</u>	<u>348,299</u>	<u>-</u>	<u>5,447,611</u>
Total capital assets being depreciated, net	<u>6,362,532</u>	<u>1,997,381</u>	<u>-</u>	<u>8,359,913</u>
Governmental activities capital assets, net	<u>8,202,292</u>	<u>5,825,245</u>	<u>2,030,551</u>	<u>11,996,986</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	288,922	4,286	-	293,208
Less accumulated depreciation	<u>186,942</u>	<u>17,176</u>	-	<u>204,118</u>
Business type activities capital assets, net	<u>101,980</u>	<u>(12,890)</u>	-	<u>89,090</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	42,513
Other	7,397
Support Services:	
Operation and maintenance of plant services	7,426
Transportation	<u>36,542</u>
	93,878
Unallocated depreciation	<u>254,421</u>
Total depreciation expense – governmental activities	<u>348,299</u>
Business type activities:	
Food services	<u>17,176</u>

## 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	1,250,000	-	350,000	900,000	350,000
Local option sales and services tax revenue bonds	3,850,000	-	335,000	3,515,000	355,000
Revenue bond anticipation notes	-	500,000	-	500,000	-
Early retirement	121,154	260,140	43,456	337,838	60,655
Total	<u>5,221,154</u>	<u>760,140</u>	<u>728,456</u>	<u>5,252,838</u>	<u>765,655</u>

### 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, **except for administrators who must have completed five years**. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives include the payment of health insurance premiums, at a fixed amount, by the District until age sixty-five. Early retirement expenditures for the year ended June 30, **2004** totaled **\$43,456**.

### 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 <b>May, 1998</b>			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005	1.70	350,000	14,275	364,275
2006	1.70-1.75	365,000	8,283	373,283
2007	1.90	185,000	1,758	186,758
		<u>900,000</u>	<u>24,316</u>	<u>924,316</u>

### 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,	Bond Issue of <b>May 2001</b>			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005	5.00	355,000	164,738	519,738
2006	5.00	375,000	146,988	521,988
2007	5.00	385,000	128,238	513,238
2008	5.00	560,000	108,988	668,988
2009	4.35	585,000	80,988	665,988
2010-2011	4.40-4.45	<u>1,255,000</u>	<u>84,020</u>	<u>1,339,020</u>
		<u>3,515,000</u>	<u>713,960</u>	<u>4,228,960</u>

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 [January 1, 2008](#), may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- [\\$441,500](#) 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 in the sinking account. The reserve account is part of the District's Debt Service Fund.
- Proceeds from the local option sales and services tax shall be placed in a revenue account with a trustee. The trustee will make monthly transfers from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund at the end of a quarter may be used for any lawful purpose for which the local option sales tax may be used or may be used to redeem the bonds in accordance with their terms. The sinking fund is part of the Debt Service Fund.

Local Option Sales and Services Tax Revenue Bond Anticipation Note

In May 2004 the District issued [\\$500,000](#) of local option sales and services tax revenue bond anticipation notes. The note proceeds are being used complete the construction and equipping of a new gymnasium at the high school. The notes bear interest at [1.75%](#) and are due May 1, 2006. The notes will be repaid with proceeds from the local option sales and services tax.

Revenue Bond Anticipation Notes Issued May 2004				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005	1.75	-	9,541	9,541
2006	1.75	500,000	8,822	508,822
		<u>500,000</u>	<u>18,363</u>	<u>518,363</u>

**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 [\\$242,216](#), [\\$231,803](#), and [\\$224,975](#) respectively, equal to the required contributions for each year.

**8. Risk Management**

[Okoboji](#) 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 \$285,224 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## 10. Construction Commitment

The District has entered into contracts totaling \$5,519,701 for construction at the high school and elementary buildings. As of June 30, 2004 costs of \$4,887,575 had been incurred against the contracts. The balances remaining at June 30, 2004 will be paid as work on the project progresses.

## 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				Total
	General	Debt Service	Capital Projects	Nonmajor	
	\$	\$	\$	\$	\$
Net assets, June 30, 2003, as previously Reported	1,120,097	817,099	3,240,131	546,173	5,723,500
GASB Interpretation 6 adjustments	-	-	-	8,460	8,460
Net assets, July 1, 2003, as restated for governmental funds	<u>1,120,097</u>	<u>817,099</u>	<u>3,240,131</u>	<u>554,633</u>	5,731,960
GASB 34 adjustments:					
Capital assets net of accumulated depreciation of \$5,099,312					8,202,292
Net assets and liabilities of Internal Service Fund					2,315
Long-term liabilities:					
General obligation bonds				1,250,000	
Revenue bonds				3,850,000	
Early retirement				<u>121,154</u>	(5,221,154)
Accrued interest payable					(94,996)
Deferred revenue					<u>90,000</u>
Net assets, July 1, 2003, as restated					<u><u>8,710,417</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

OKOBOJI 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	6,862,310	196,854	7,059,164	6,242,250	6,242,250	816,914
Intermediate sources	-	-	-	70,000	70,000	(70,000)
State sources	2,057,956	5,029	2,062,985	2,573,118	2,573,118	(510,133)
Federal sources	131,695	127,218	258,913	228,000	228,000	30,913
Total receipts	<u>9,051,961</u>	<u>329,101</u>	<u>9,381,062</u>	<u>9,113,368</u>	<u>9,113,368</u>	<u>267,694</u>
Disbursements:						
Instruction	5,507,220	-	5,507,220	6,350,000	6,350,000	842,780
Support services	2,219,779	-	2,219,779	2,565,000	2,565,000	345,221
Non-instructional programs	-	298,924	298,924	-	-	(298,924)
Other expenditures	5,260,083	-	5,260,083	5,355,717	5,355,717	95,634
Total disbursements	<u>12,987,082</u>	<u>298,924</u>	<u>13,286,006</u>	<u>14,270,717</u>	<u>14,270,717</u>	<u>984,711</u>
Excess (deficiency) of receipts over (under) disbursements	(3,935,121)	30,177	(3,904,944)	(5,157,349)	(5,157,349)	1,252,405
Other financing sources (uses) net	<u>520,685</u>	<u>(2,685)</u>	<u>518,000</u>	<u>-</u>	<u>-</u>	<u>518,000</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	(3,414,436)	27,492	(3,386,944)	(5,157,349)	(5,157,349)	1,770,405
Balance beginning of year	<u>6,639,038</u>	<u>54,793</u>	<u>6,693,831</u>	<u>5,994,868</u>	<u>5,994,868</u>	<u>698,963</u>
Balance end of year	<u><u>3,224,602</u></u>	<u><u>82,285</u></u>	<u><u>3,306,887</u></u>	<u><u>837,519</u></u>	<u><u>837,519</u></u>	<u><u>2,469,368</u></u>

OKOBOJI 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	9,051,961	12,522	9,064,483
Expenditures	12,987,082	(204,658)	12,782,424
Net	(3,935,121)	217,180	(3,717,941)
Other financing sources (uses) net	520,685	(2,685)	518,000
Beginning fund balances	6,639,038	(907,078)	5,731,960
Ending fund balances	<u>3,224,602</u>	<u>(692,583)</u>	<u>2,532,019</u>

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
\$	\$	\$	
Revenues	329,101	(470)	328,631
Expenditures	298,924	11,040	309,964
Net	30,177	(11,510)	18,667
Other financing sources (uses) net	(2,685)	2,685	-
Beginning fund balances	54,793	105,811	160,604
Ending fund balances	<u>82,285</u>	<u>96,986</u>	<u>179,271</u>

OKOBOJI 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. The District did not amend the budget during the year.

During the year ended June 30, [2004](#), disbursements in the [non-instructional programs](#) function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	\$	\$
Cash and pooled investments	282,929	102,884	265,882	651,695
Receivables:				
Property tax:				
Delinquent	1,130	-	1,584	2,714
Succeeding year	150,000	-	200,775	350,775
<b>Total assets</b>	<b>434,059</b>	<b>102,884</b>	<b>468,241</b>	<b>1,005,184</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	-	868	7,482	8,350
Deferred revenue:				
Succeeding year property tax	150,000	-	200,775	350,775
Total liabilities	150,000	868	208,257	359,125
Fund balances:				
Unreserved fund balance	284,059	102,016	259,984	646,059
<b>Total liabilities and fund balances</b>	<b>434,059</b>	<b>102,884</b>	<b>468,241</b>	<b>1,005,184</b>

## OKOBOJI COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Special Revenue Funds			Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	130,166	-	195,538	325,704
Other	5,550	193,545	5,483	204,578
State sources	84	-	120	204
Total revenues	<u>135,800</u>	<u>193,545</u>	<u>201,141</u>	<u>530,486</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	-	177,199	-	177,199
Support services:				
Student services	3,663	-	-	3,663
Administration services	89,735	-	-	89,735
Operation and maintenance of plant services	44,227	-	-	44,227
Transportation services	9,313	-	-	9,313
Other expenditures:				
Facilities acquisition	-	-	132,923	132,923
Total expenditures	<u>146,938</u>	<u>177,199</u>	<u>132,923</u>	<u>457,060</u>
Excess (deficiency) of revenues over (under) expenditures	(11,138)	16,346	68,218	73,426
Other financing sources (uses):				
Sales of real property	-	-	18,000	18,000
Net change in fund balances	(11,138)	16,346	86,218	91,426
Fund balances beginning of year, as restated	<u>295,197</u>	<u>85,670</u>	<u>173,766</u>	<u>554,633</u>
Fund balances end of year	<u>284,059</u>	<u>102,016</u>	<u>259,984</u>	<u>646,059</u>

## OKOBOJI COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
All school play	734	920	682	-	972
Show choir	933	1,518	1,922	230	759
Jazz band	273	4,743	4,304	730	1,442
Musical	592	2,481	2,640	(430)	3
Cross country	186	593	1,020	530	289
Golf	1	557	1,470	930	18
Boys basketball	2,245	4,314	6,189	345	715
Football	2,265	11,710	10,822	460	3,613
Baseball	(12)	1,511	9,939	8,390	(50)
Boys track	3	1,367	8,437	7,085	18
Wrestling	1,932	3,811	5,116	960	1,587
Girls basketball	3,032	8,164	5,351	115	5,960
Volleyball	4	2,050	3,591	1,540	3
Softball	5	4,208	7,348	2,865	(270)
Girls track	756	1,437	3,945	2,365	613
Class of 2003	376	-	-	-	376
Class of 2004	545	386	371	-	560
Class of 2005	463	3,145	2,599	-	1,009
Class of 2006	224	348	43	-	529
Class of 2007	-	347	29	-	318
Pictures	456	-	-	-	456
Debate	3,802	3,611	2,233	230	5,410
Activity tickets	1,619	10,035	-	(10,550)	1,104
Interest	-	2,551	-	(2,551)	-
Concessions	769	10,991	6,764	(3,876)	1,120
Student pop	4,552	24,794	21,404	4,038	11,980
Pioneer club	7,653	19,392	9,503	(10,592)	6,950
Student council	869	420	779	-	510
Cheerleaders	139	19	-	-	158
Drill team	5,823	3,537	4,846	-	4,514
Annual	5,477	12,210	9,430	-	8,257
Spanish club	5,467	13,513	9,169	230	10,041
Science club	617	5	-	230	852
FFA	8,840	20,986	19,476	-	10,350
Culinary arts	320	2,604	2,381	230	773
Thespian club	2,625	2,739	1,749	(142)	3,473
Art appreciation	36	-	-	-	36

## OKOBOJI COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
JR magazine sales	-	3,897	3,884	-	13
Academic awards	750	100	-	-	850
Key club	-	649	200	460	909
Elementary	8,120	3,485	1,716	273	10,162
EL/MS special ed. club	1,276	989	951	-	1,314
Elem. software	2,450	-	-	-	2,450
MS student senate	1,403	11	555	-	859
MS concessions	3,891	3,397	6,341	64	1,011
MS climbing wall	4,159	-	-	(4,159)	-
Total	<u>85,670</u>	<u>193,545</u>	<u>177,199</u>	<u>-</u>	<u>102,016</u>

## OKOBOJI 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	6,212,458	5,792,852	4,713,103	4,325,259
Tuition	271,723	254,818	178,933	315,555
Other	374,327	658,826	876,122	340,852
State sources	2,070,348	2,624,186	2,842,578	2,851,242
Federal sources	135,627	138,320	116,527	135,542
Total revenues	<u>9,064,483</u>	<u>9,469,002</u>	<u>8,727,263</u>	<u>7,968,450</u>
Expenditures:				
Instruction:				
Regular instruction	3,415,732	3,234,539	3,149,663	3,415,667
Special instruction	1,188,638	1,046,960	965,351	987,150
Other instruction	665,100	665,305	612,089	647,498
Support services:				
Student services	304,356	270,377	288,355	253,669
Instructional staff services	250,005	229,762	184,714	187,147
Administration services	733,467	684,537	615,802	560,529
Operation and maintenance of plant services	640,696	545,513	601,015	609,989
Transportation services	289,369	194,993	229,131	247,047
Other expenditures:				
Facilities acquisition	4,121,315	1,804,749	440,883	105,447
Long-term debt:				
Principal	685,000	655,000	555,505	310,522
Interest and other charges	203,522	254,540	211,077	82,094
AEA flowthrough	285,224	298,783	299,952	303,479
Total expenditures	<u>12,782,424</u>	<u>9,885,058</u>	<u>8,153,537</u>	<u>7,710,238</u>

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

To the Board of Education of the  
[Okoboji](#) Community School District:

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

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

### Internal Control over Financial Reporting

In planning and performing our audit, we considered [Okoboji](#) 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the [Okoboji](#) 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 [Okoboji](#) 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

[October 28, 2004](#)

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures 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-I-B** Signature Stamp: We noted that the Board Secretary has access to a stamp bearing the signature of the Board President. This practice negates the internal control procedure established by requiring two signatures on a check

Recommendation: The Board Secretary should not have access to the stamp used to cosign checks. The Board may designate a person other than the Board President to cosign checks.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

**04-I-C** Mileage Supporting Documentation: We noted certain employee reimbursements for mileage that were missing detailed information about the business trip.

Recommendation: All mileage reimbursement requests should include the date of travel, the destination, the business purpose and the number of miles driven.

District Response: We have designed a mileage reimbursement form that includes the above information.

Conclusion: Response accepted.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the Financial Statements (continued):

01-I-D Cash Receipts and Athletic Gate Admissions: We noted that the District was not using a ticket system for all events that charge an admission and we noted that often one person was responsible for counting cash proceeds from events and vending machines.

Recommendation: The District should consider using a ticket system at all events that charge an admission. A school employee should issue a roll of prenumbered tickets to each ticket taker. The beginning ticket number should be noted. Immediately after each event two people should count the cash and reconcile the proceeds to the number of tickets sold. The results from this initial cash count should then be reconciled to the bank deposit.

District Response: We will review our current procedures and investigate the feasibility of implementing a ticket system.

Conclusion: Response accepted.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

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

**04-II-B** Certified Budget: Disbursements for the year ended June 30, 2004, exceeded the amount budgeted in the non-instructional programs functional area.

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

District Response: There was an error in the budget for the non-instructional programs function that was not discovered until after year-end. We will amend future budgets before disbursements exceed the amount budgeted.

Conclusion: Response accepted.

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

**04-II-E** Business Transactions: We noted the following transactions between the District and District officials or employees:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
Tom Clary, school board member		
Owner of Laser Car Wash	Vehicle wash	158
Owner of Milford Welding	Welding	554
Director of a local bank	School banking	
Mark Fisher, school board member		
President of a local bank	School banking	

Recommendation: The transactions with Laser Car Wash and Milford Welding do not appear to be conflicts of interest because the dollar amounts do not exceed the \$2,500 limit set by Iowa law. The District should consult with its attorney before entering into any banking agreements with the above bank.

District response: We will consult with our attorney on all issues that might be a conflict of interest.

Conclusion: Response accepted.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

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

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

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

**04-II-H**      Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education on Line 1 of the Certified Enrollment Certification Form for September 2003, was overstated by 4.7 students.

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

District Response: We will contact these departments.

Conclusion: Response accepted.

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

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

**04-II-K**      Reclassification of Student Activity Fund Accounts: The Student Activity fund is to be used to account for the District's extracurricular activity programs. We noted accounts in the Student Activity Fund for elementary activities, elementary software, and picture rebates. These types of items do not appear to be extracurricular activities and should not be in the Student Activity Fund.

Recommendation: We recommend that the District review the types of transactions being recorded in the Student Activity Fund. Only transactions for the extracurricular student activity program should be recorded in the Student Activity Fund.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.