

**SOUTH HAMILTON 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  
[South Hamilton](#) Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of [South Hamilton](#) Community School District, [Jewell](#), 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, the discretely presented component unit and the aggregate remaining fund information of [South Hamilton](#) 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 [12](#) to the financial statements, during the year ended June 30, [2004](#), [South Hamilton](#) 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 5, 2004](#), on our consideration of [South Hamilton](#) 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 South Hamilton 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 5, 2004

**South Hamilton Community Schools  
Management Discussion & Analysis  
FY 2003-2004**

Management of the South Hamilton Community School District provides this Management's Discussion and Analysis of the South Hamilton Community School District. This narrative overview analysis of the financial activities of the South Hamilton Community School District 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.

Since this is the first year that requires all activities to be reported on a full accrual basis, a comprehensive comparison to the prior year is not possible. Efforts have been made to provide comparison to prior year data when such data is available. In subsequent years comparison to prior year data will be provided for all key financial information.

**Financial Highlights**

- General Fund revenues decreased from \$5,411,487 in fiscal year 2003 to \$5,406,297 in fiscal year 2004, while General Fund expenditures increased from \$5,204,042 in FY 2003 to \$5,350,648 in FY 2004. This indicates that the positive balance (revenues over expenditures) decreased to \$55,649 in FY 2004, compared to a positive balance of \$207,445 in FY 2003.
- The small decrease in General Fund revenues can be attributed to a decrease in local property tax revenues that resulted from a decrease in taxable valuation due to a rollback in agriculture property values. This decrease was not completely offset by the increase in state foundation aid and federal funding. The increase in expenditures is due primarily to the increased cost of the negotiated salary and benefits package for employees above and beyond new money generated through the state funding formula.
- During the year ended June 30, 2004, the State of Iowa imposed a 2.25% reduction in State Foundation aid, which reduced the General Fund revenues by \$60,326. Since the reduction occurred mid-year, the District had already obligated the resources to fund fiscal 2004 salaries and programs. The District responded to the reduction by using a portion of the District's unreserved, undesignated fund balance
- In spite of this reduction, the District's General Fund balance increased by \$56,159 in fiscal 2004.
- A decline in interest rates during the past two fiscal years combined with less cash available for investing resulted in interest earnings in the General Fund alone to drop from \$57,500 in fiscal year 2003 to \$17,120 in fiscal year 2004, a decrease of \$40,380.
- The district renewed its Instructional Support Levy for a five-year period of time. It increased its levy rate to 4% and increased its income surtax rate from 3% to 4%.
- The district's patrons voted in February 2004 to approve a local option sales tax for school infrastructure. This will result in generating approximately \$225,000 in SILO revenues per year for a ten-year period of time. These proceeds are available for a variety of uses as well as property tax relief.
- The district's solvency ratio improved to 8.42% in FY 2004, up from 7.32% the previous year.

## Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *Government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- *Proprietary funds statements* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

### Government-wide Statements

The Government-wide 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 statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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 taxes 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 food service program and Ag Technology enterprise program are 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:

- *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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.

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

- *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 statements.

The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, School Nutrition and the Ag Technology Enterprise 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 Flexible Benefit Account.

- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others, these assets include outside donations for scholarships for individual students, which are reported in the Private Purpose Trust Fund.

The District is responsible for ensuring that the assets reported in these 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.

## Financial Analysis of the District as a Whole

The following table represents a condensed statement of net assets for the FY 2003 and FY 2004.

### Condensed Statement of Net Assets

|                             | Governmental        |                     | Business-type   |                 | Total               |                     | Total<br>Percentage<br>Change<br>2003-04 |
|-----------------------------|---------------------|---------------------|-----------------|-----------------|---------------------|---------------------|--|
|                             | Activities          |                     | Activities      |                 | School District     |                     |  |
|                             | 2003                | 2004                | 2003            | 2004            | 2003                | 2004                |  |
| Current and other assets    | \$5,228,400         | \$4,333,699         | \$12,347        | -\$873          | \$5,240,747         | \$4,332,826         | -17.3                                    |
| Capital assets              | \$6,350,290         | \$6,222,779         | \$21,033        | \$18,291        | \$6,371,323         | \$6,241,070         | -2.0                                     |
| <b>Total Assets</b>         | <b>\$11,578,690</b> | <b>\$10,556,478</b> | <b>\$33,380</b> | <b>\$17,418</b> | <b>\$11,612,070</b> | <b>\$10,573,896</b> | <b>-8.9</b>                              |
| Long-term debt outstanding  | \$4,125,000         | \$3,959,246         | \$0             | \$0             | \$4,125,000         | \$3,959,246         | -4.0                                     |
| Other liabilities           | \$4,463,959         | \$3,454,634         | \$6,911         | \$6,044         | \$4,470,870         | \$3,460,678         | -22.6                                    |
| <b>Total liabilities</b>    | <b>\$8,588,959</b>  | <b>\$7,413,880</b>  | <b>\$6,911</b>  | <b>\$6,044</b>  | <b>\$8,595,870</b>  | <b>\$7,419,924</b>  | <b>-13.7</b>                             |
| Net Assets                  |                     |                     |                 |                 |                     |                     |  |
| Invested in capital assets, |                     |                     |                 |                 |                     |                     |  |
| Net of related debt         | \$2,273,702         | \$2,309,280         | \$20,482        | \$18,291        | \$2,294,184         | \$2,327,571         | 1.5                                      |
| Restricted                  | \$281,609           | \$321,713           | \$0             | \$0             | \$281,609           | \$321,713           | 14.2                                     |
| Unrestricted                | \$434,420           | \$511,605           | \$5,987         | -\$6,917        | \$440,407           | \$504,688           | 14.6                                     |
| <b>TOTAL NET ASSETS</b>     | <b>\$2,989,731</b>  | <b>\$3,142,598</b>  | <b>\$26,469</b> | <b>\$11,374</b> | <b>\$3,016,200</b>  | <b>\$3,153,972</b>  | <b>4.6</b>                               |

The District's financial position is very stable as evidenced by a growth in total net assets of only 4.6% from FY03 to FY04.

Changes in net assets. The FY 2004 data will serve as a baseline for future comparisons as we do not have any comparative data for FY 2003.

### Changes in Net Assets.

|                                  | Governmental<br>Activities<br>2004 | Business-type<br>Activities<br>2004 | Total<br>School District<br>2004 |
|----------------------------------|------------------------------------|-------------------------------------|----------------------------------|
|                                  | \$                                 | \$                                  | \$                               |
| <b>Revenues</b>                  |                                    |                                     |                                  |
| Program Revenues                 |                                    |                                     |                                  |
| Charges for services             | 593,132                            | 186,022                             | 779,154                          |
| Operating Grants & Contributions | 557,331                            | 100,582                             | 657,913                          |
| Capital Grants & Contributions   | -                                  | -                                   | -                                |
| General Revenues                 |                                    |                                     |                                  |
| Property taxes & other taxes     | 2,941,298                          | -                                   | 2,941,298                        |
| Unrestricted state aid           | 2,184,366                          | -                                   | 2,184,366                        |
| Other                            | 23,883                             | 12                                  | 23,895                           |
| <b>Total Revenues</b>            | <b>6,300,010</b>                   | <b>286,616</b>                      | <b>6,586,626</b>                 |

|  |                  |                 |                   |
|--|------------------|-----------------|-------------------|
| <b>Expenses</b>                          |                  |                 |                   |
| Instruction                              | 3,844,138        | -               | 3,844,138         |
| Pupil & Instructional Svcs               | 337,870          | -               | 337,870           |
| Administrative & Business                | 551,574          | -               | 551,574           |
| Maintenance & Operations                 | 433,087          | -               | 433,087           |
| Transportation                           | 323,543          | -               | 323,543           |
| Non-instructional Programs               | 5,337            | 301,711         | 307,048           |
| Other                                    | 651,594          | -               | 651,594           |
| <b>Total Expenses</b>                    | <b>6,147,143</b> | <b>301,711</b>  | <b>6,448,854</b>  |
| Excess (deficiency) before               |                  |                 |                   |
| Special item                             | 152,867          | (15,095)        | \$ 137,772        |
| Special item description                 | -                | -               | \$ -              |
| <b>Increase (decrease) in net assets</b> | <b>152,867</b>   | <b>(15,095)</b> | <b>\$ 137,772</b> |

### Governmental Activities

The strength of the local economy was clearly evident as the District experienced an increase in the overall property tax base. Taxable valuation increased .6% percent, from \$215,009,515 to \$216,457,721 compared to the prior fiscal year.

Revenues for governmental activities were \$6,300,010 while expenses amounted to \$6,147,143. In a difficult budget year, the District did an excellent job of managing expenditures to work within available revenues.

The local option sales tax revenue of \$846 was revenue generated by the number of students (4) living in a neighboring county that had previously passed the local option sales tax. These receipts are not significant at this time, but will be utilized at a future date.

In 2003-04, the district entered into an agreement with a neighboring district to share the services of a superintendent. This sharing arrangement did result in a savings to the district of approximately \$30,000.

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

*Net Cost of Governmental Activities*

|                                | <b>Total Cost<br/>of Services<br/>2004</b> | <b>Net Cost<br/>of Services<br/>2004</b> |
|--------------------------------|--|--|
|                                | \$   | \$                                       |
| Instruction                    | 3,844,138                                  | 2,980,522                                |
| Pupil & Instructional Services | 337,870                                    | 337,870                                  |
|                                | 551,574                                    |  |
| Administrative & Business      |  | 486,171                                  |
|                                | 433,087                                    |  |
| Maintenance & Operations       |  | 431,541                                  |
|                                | 323,543                                    |  |
| Transportation                 |  | 321,476                                  |
| Non-instructional Programs     | 5,337                                      | 5,337                                    |
|                                | 651,594                                    |  |
| Other                          |  | 433,763                                  |
| <b>TOTAL</b>                   | <b>6,147,143</b>                           | <b>4,996,680</b>                         |

- The cost of all governmental activities this year was \$6,147,143.
- The portion of the cost financed by users of the District's programs was \$593,132, which represents tuition from other schools, charges to other schools for shared employees, revenues from extra-curricular student activities and student registration fees.
- The federal and state government (and private contributors) subsidized certain programs with grants and contributions totaling \$557,331.
- The net cost portion of governmental activities was financed with \$2,856,714 in property tax, \$2,184,366 in unrestricted state aid \$84,584 in local option sales tax and income surtax and \$23,883 in interest income.

**Business-Type Activities**

Revenues of the District's business-type activities totaled \$286,616 while expenses \$301,711. The District's business-type activities include the School Nutrition Fund and the Ag Technology Enterprise Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Deficits in both the School Nutrition Fund and the Ag Technology Enterprise Fund are noted. The cost of health insurance for food service employees is a major factor in the increased expenditures in this program. The cost of raw materials, particularly steel, has been the primary reason for increased expenditures in the Ag Technology program. The district will be monitoring revenues and expenditures and making adjustments as necessary to increase revenues or reduce expenditures.

## **Financial Analysis of the District's Funds**

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

The strong financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$827,352, well above last year's ending fund balances of \$737,571.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$418,004 in FY03 to \$474,163 in FY04. A balance of reduced expenditures and increased revenue accounts for this modest balance increase.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased \$4,308 during the year due to increased expenditures related to equipment purchases
- The Capital Projects Fund balance decreased by \$2,665 due to expenditures related to repair and improvements made at the elementary school.

### **Business-Type Fund Highlights**

- The School Nutrition Fund and Ag Technology Enterprise Fund balance decreased \$15,095. The reasons for this decrease were previously stated.

The district's financial health is solid and stable. Student enrollment is stable as are staffing patterns. Solvency ratio has improved the past three years due to implementation of cash reserve levy. Facility conditions are also excellent. School nutrition and Ag technology enterprise funds are operating at a deficit and are being closely monitored.

## **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except blended component units, internal service funds, permanent funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on the cash basis. Over the course of the year, it was not necessary for the District to amend its certified budget.

The District has not amended its budget for several years because we prepare the initial budget using the maximum expenditures that the District could have based on projected revenues and carryover balances. Actual expenditures are controlled during the year using a line item budget that bases expenditures on projected revenues for the year.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget", which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

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

### Capital Asset and Debt Administration

#### Capital Assets

By the end of fiscal 2004, the District had invested \$6,241,070, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, transportation equipment, and administrative offices. This amount represents a net decrease of two percent from last year. (See exhibit below). Depreciation expense for the year was approximately \$302,902. No significant changes in capital assets occurred during the fiscal year.

| <i>Capital Assets (net of depreciation)</i> |                         |                  |                          |               |                       |                  |                         |
|---|-------------------------|------------------|--------------------------|---------------|-----------------------|------------------|-------------------------|
|   | Governmental Activities |                  | Business-type Activities |               | Total School District |                  | Total Percentage Change |
|   | 2003                    | 2004             | 2003                     | 2004          | 2003                  | 2004             | 2003-04                 |
|   | \$                      | \$               | \$                       | \$            | \$                    | \$               | %                       |
| Land  | 39,301                  | 39,301           | -                        | -             | 39,301                | 39,301           | -                       |
| Construction in progress                    | -                       | -                | -                        | -             | -                     | -                | -                       |
| Buildings & Other Improvements              | 5,965,396               | 5,777,805        |                          |               | 5,965,396             | 5,777,805        | -3.1                    |
| Equipment & Furniture                       | 345,593                 | 405,673          | 21,033                   | 18,291        | 366,626               | 423,964          | 15.6                    |
| <b>TOTAL</b>                                | <b>6,350,290</b>        | <b>6,222,779</b> | <b>21,033</b>            | <b>18,291</b> | <b>6,371,323</b>      | <b>6,241,070</b> | <b>2.0</b>              |

#### Long-Term Debt

At year-end, the district had \$3,920,000 in general obligation bonds outstanding. This represents a decrease of 5 percent from last year. (See Note 7 to the financial statements). This debt is related to a \$5,000,000 bond issue approved by the voters on December 2, 1997 for the new elementary school building.

Additional debt service expenditures are related to lease agreements on copy machines.

### **Factors Bearing on the District's Future**

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

- The board had held some preliminary discussions pertinent to an addition to the high school band room.
- The board also anticipated participating in a countywide vote for local option sales tax for school infrastructure at some point in the future.
- The board had engaged in conversation with a neighboring district about future sharing possibilities, including the sharing of more teachers and administration as well as potential sharing of some classes for students between the two districts.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and 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:

Susan L. Headley, Board Secretary or  
John Kinley, Superintendent  
South Hamilton Community Schools  
315 Division Street  
Jewell, IA 50130

## BASIC FINANCIAL STATEMENTS

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

|   | Governmental<br>Activities | Business<br>Type<br>Activities | Total             | Component Unit<br>South Hamilton<br>Community<br>School District<br>Foundation |
|---|----------------------------|--------------------------------|-------------------|--|
|   | \$                         | \$                             | \$                | \$   |
| <b>Assets</b>                                   |                            |                                |                   |  |
| Cash and cash equivalents:                      |                            |                                |                   |  |
| ISCAP   | 437,358                    | -                              | 437,358           | -  |
| Other   | 1,234,356                  | 628                            | 1,234,984         | 119,474  |
| Receivables:                                    |                            |                                |                   |  |
| Property tax:                                   |                            |                                |                   |  |
| Delinquent                                      | 33,579                     | -                              | 33,579            | -  |
| Succeeding year                                 | 2,473,729                  | -                              | 2,473,729         | -  |
| Accounts  | 150                        | 964                            | 1,114             | -  |
| Accrued interest                                | 79                         | -                              | 79                | 1,312  |
| Interfund receivable/payable                    | 18,086                     | (18,086)                       | -                 |  |
| Due from other governments                      | 136,362                    | -                              | 136,362           | -  |
| Inventories                                     |                            | 15,621                         | 15,621            | -  |
| Capital assets, net of accumulated depreciation | 6,222,779                  | 18,291                         | 6,241,070         | -  |
| <b>Total assets</b>                             | <b>10,556,478</b>          | <b>17,418</b>                  | <b>10,573,896</b> | <b>120,786</b>   |
| <b>Liabilities</b>                              |                            |                                |                   |  |
| Accounts payable                                | 36,881                     | 90                             | 36,971            | -  |
| Salaries and benefits payable                   | 471,869                    | 2,264                          | 474,133           | -  |
| Accrued interest payable                        | 31,122                     | -                              | 31,122            | -  |
| Deferred revenue:                               |                            |                                |                   |  |
| Succeeding year property tax                    | 2,473,729                  | -                              | 2,473,729         | -  |
| Other   | -                          | 3,690                          | 3,690             | -  |
| ISCAP warrants payable                          | 435,000                    | -                              | 435,000           | -  |
| ISCAP accrued interest payable                  | -                          | -                              | -                 | -  |
| ISCAP premium                                   | 6,033                      | -                              | 6,033             | -  |
| Long-term liabilities:                          |                            |                                |                   |  |
| Portion due within one year:                    |                            |                                |                   |  |
| General obligation bonds payable                | 220,000                    | -                              | 220,000           | -  |
| Capital leases                                  | 8,477                      | -                              | 8,477             | -  |
| Portion due after one year:                     |                            |                                |                   |  |
| General obligation bonds payable                | 3,700,000                  | -                              | 3,700,000         | -  |
| Capital leases                                  | 30,769                     | -                              | 30,769            | -  |
| <b>Total liabilities</b>                        | <b>7,413,880</b>           | <b>6,044</b>                   | <b>7,419,924</b>  | <b>-</b>   |

See notes to financial statements.

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

|   | Governmental<br>Activities | Business<br>Type<br>Activities | Total            | Component Unit<br>South Hamilton<br>Community<br>School District<br>Foundation |
|---|----------------------------|--------------------------------|------------------|--|
|   | \$                         | \$                             | \$               | \$   |
| <b>Net assets</b>                               |                            |                                |                  |  |
| Invested in capital assets, net of related debt | 2,309,280                  | 18,291                         | 2,327,571        | -  |
| Restricted for:                                 |                            |                                |                  |  |
| Phase III                                       | 1,668                      | -                              | 1,668            | -  |
| Gifted and talented program                     | 22,796                     | -                              | 22,796           | -  |
| Management levy                                 | 26,764                     | -                              | 26,764           | -  |
| Physical plant and equipment levy               | 213,138                    | -                              | 213,138          | -  |
| Other special revenue purposes                  | 57,347                     | -                              | 57,347           | -  |
| Unrestricted                                    | 511,605                    | (6,917)                        | 504,688          | 120,786  |
| <b>Total net assets</b>                         | <u>3,142,598</u>           | <u>11,374</u>                  | <u>3,153,972</u> | <u>120,786</u>   |

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

| Functions/Programs                                  | Program Revenues |                      |   |   |
|---|------------------|----------------------|---|---|
|   | Expenses         | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| <b>Governmental activities:</b>                     |                  |                      |   |   |
| Instruction:  |                  |                      |   |   |
| Regular instruction                                 | 2,401,742        | 276,198              | 222,336   | -   |
| Special instruction                                 | 824,936          | 47,064               | 106,398   | -   |
| Other instruction                                   | 617,460          | 200,854              | 10,766  | -   |
|   | <u>3,844,138</u> | <u>524,116</u>       | <u>339,500</u>  | <u>-</u>  |
| Support services:                                   |                  |                      |   |   |
| Student services                                    | 127,009          | -                    | -   | -   |
| Instructional staff services                        | 210,861          | -                    | -   | -   |
| Administration services                             | 551,574          | 65,403               | -   | -   |
| Operation and maintenance of plant services         | 433,087          | 1,546                | -   | -   |
| Transportation services                             | 323,543          | 2,067                | -   | -   |
|   | <u>1,646,074</u> | <u>69,016</u>        | <u>-</u>  | <u>-</u>  |
| Non-instructional programs                          | <u>5,337</u>     | <u>-</u>             | <u>-</u>  | <u>-</u>  |
| Other expenditures:                                 |                  |                      |   |   |
| Facilities acquisition                              | 51,486           | -                    | -   | -   |
| Long-term debt interest                             | 195,476          | -                    | 790   | -   |
| AEA flowthrough                                     | 217,041          | -                    | 217,041   | -   |
| Depreciation (unallocated)*                         | 187,591          | -                    | -   | -   |
|   | <u>651,594</u>   | <u>-</u>             | <u>217,831</u>  | <u>-</u>  |
| Total governmental activities                       | <u>6,147,143</u> | <u>593,132</u>       | <u>557,331</u>  | <u>-</u>  |
| <b>Business type activities</b>                     |                  |                      |   |   |
| Non-instructional programs:                         |                  |                      |   |   |
| Food service operations                             | 283,534          | 172,449              | 100,582   | -   |
| Agri. science tech. student construction            | 18,177           | 13,573               | -   | -   |
| Total business type activities                      | <u>301,711</u>   | <u>186,022</u>       | <u>100,582</u>  | <u>-</u>  |
| Total primary government                            | <u>6,448,854</u> | <u>779,154</u>       | <u>657,913</u>  | <u>-</u>  |
| <b>Component Units</b>                              |                  |                      |   |   |
| South Hamilton Community School District Foundation | <u>20,563</u>    | <u>-</u>             | <u>30,428</u>   | <u>-</u>  |
| Total   | <u>6,469,417</u> | <u>779,154</u>       | <u>688,341</u>  | <u>-</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.

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

| Net (Expense) Revenue and Changes in Net Assets |                                |                    |                   |
|---|--------------------------------|--------------------|-------------------|
| Primary Government                              |                                |                    |                   |
| Governmental<br>Activities                      | Business<br>Type<br>Activities | Total              | Component<br>Unit |
| (1,903,208)                                     | -                              | (1,903,208)        | -                 |
| (671,474)                                       | -                              | (671,474)          | -                 |
| (405,840)                                       | -                              | (405,840)          | -                 |
| <u>(2,980,522)</u>                              | <u>-</u>                       | <u>(2,980,522)</u> | <u>-</u>          |
| (127,009)                                       | -                              | (127,009)          | -                 |
| (210,861)                                       | -                              | (210,861)          | -                 |
| (486,171)                                       | -                              | (486,171)          | -                 |
| (431,541)                                       | -                              | (431,541)          | -                 |
| (321,476)                                       | -                              | (321,476)          | -                 |
| <u>(1,577,058)</u>                              | <u>-</u>                       | <u>(1,577,058)</u> | <u>-</u>          |
| (5,337)   | -                              | (5,337)            | -                 |
| (51,486)  | -                              | (51,486)           | -                 |
| (194,686)                                       | -                              | (194,686)          | -                 |
| -   | -                              | -                  | -                 |
| (187,591)                                       | -                              | (187,591)          | -                 |
| <u>(433,763)</u>                                | <u>-</u>                       | <u>(433,763)</u>   | <u>-</u>          |
| (4,996,680)                                     | -                              | (4,996,680)        | -                 |
| -   | (10,503)                       | (10,503)           | -                 |
| -   | (4,604)                        | (4,604)            | -                 |
| -   | <u>(15,107)</u>                | <u>(15,107)</u>    | <u>-</u>          |
| (4,996,680)                                     | (15,107)                       | (5,011,787)        | -                 |
| -   | -                              | -                  | 9,865             |
| <u>(4,996,680)</u>                              | <u>(15,107)</u>                | <u>(5,011,787)</u> | <u>9,865</u>      |
| 2,282,447                                       | -                              | 2,282,447          | -                 |
| 396,810   | -                              | 396,810            | -                 |
| 177,457   | -                              | 177,457            | -                 |
| 83,738  | -                              | 83,738             | -                 |
| 846   | -                              | 846                | -                 |
| 2,184,366                                       | -                              | 2,184,366          | -                 |
| 19,842  | 12                             | 19,854             | 2,566             |
| 4,041   | -                              | 4,041              | -                 |
| <u>5,149,547</u>                                | <u>12</u>                      | <u>5,149,559</u>   | <u>2,566</u>      |
| 152,867   | (15,095)                       | 137,772            | 12,431            |
| <u>2,989,731</u>                                | <u>26,469</u>                  | <u>3,016,200</u>   | <u>108,355</u>    |
| <u>3,142,598</u>                                | <u>11,374</u>                  | <u>3,153,972</u>   | <u>120,786</u>    |

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2004

|  | General<br>Fund  | Debt<br>Service | Nonmajor<br>Governmental<br>Funds | Total            |
|--|------------------|-----------------|-----------------------------------|------------------|
|  | \$               | \$              | \$                                | \$               |
| <b>Assets</b>                              |                  |                 |                                   |                  |
| Cash and pooled investments:               |                  |                 |                                   |                  |
| ISCAP                                      | 437,358          | -               | -                                 | 437,358          |
| Other                                      | 893,687          | 5,529           | 330,888                           | 1,230,104        |
| Receivables:                               |                  |                 |                                   |                  |
| Property tax:                              |                  |                 |                                   |                  |
| Delinquent                                 | 25,765           | 4,664           | 3,150                             | 33,579           |
| Succeeding year                            | 1,848,296        | 405,452         | 219,981                           | 2,473,729        |
| Accounts                                   | -                | -               | 150                               | 150              |
| Accrued interest                           | -                | -               | 79                                | 79               |
| Interfund receivable                       | 3,300            | -               | 14,786                            | 18,086           |
| Due from other governments                 | 136,087          | -               | 275                               | 136,362          |
|  | <u>3,344,493</u> | <u>415,645</u>  | <u>569,309</u>                    | <u>4,329,447</u> |
| <b>Total assets</b>                        |                  |                 |                                   |                  |
| <b>Liabilities and Fund Balances</b>       |                  |                 |                                   |                  |
| Liabilities:                               |                  |                 |                                   |                  |
| Accounts payable                           | 26,477           | -               | 6,332                             | 32,809           |
| Salaries and benefits payable              | 471,869          | -               | -                                 | 471,869          |
| ISCAP warrants payable                     | 435,000          | -               | -                                 | 435,000          |
| ISCAP premium                              | 6,033            | -               | -                                 | 6,033            |
| Deferred revenue:                          |                  |                 |                                   |                  |
| Succeeding year property tax               | 1,848,296        | 405,452         | 219,981                           | 2,473,729        |
| Other                                      | 82,655           | -               | -                                 | 82,655           |
| Total liabilities                          | <u>2,870,330</u> | <u>405,452</u>  | <u>226,313</u>                    | <u>3,502,095</u> |
| Fund balances:                             |                  |                 |                                   |                  |
| Reserved for:                              |                  |                 |                                   |                  |
| Phase III                                  | 1,668            | -               | -                                 | 1,668            |
| Gifted and talented program                | 22,796           | -               | -                                 | 22,796           |
| Debt service                               | -                | 10,193          | -                                 | 10,193           |
| Unreserved                                 | 449,699          | -               | 342,996                           | 792,695          |
| Total fund balances                        | <u>474,163</u>   | <u>10,193</u>   | <u>342,996</u>                    | <u>827,352</u>   |
|  | <u>3,344,493</u> | <u>415,645</u>  | <u>569,309</u>                    | <u>4,329,447</u> |
| <b>Total liabilities and fund balances</b> |                  |                 |                                   |                  |

## SOUTH HAMILTON 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>   | 827,352                 |
| <b><i>Amounts reported for governmental activities in the<br/>Statement of Net Assets are different because:</i></b>   |                         |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.   | 6,222,779               |
| Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.  | 82,655                  |
| 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  | (31,122)                |
| 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 | 180                     |
| Long-term liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.   | <u>(3,959,246)</u>      |
| <b>Net assets of governmental activities (Exhibit A)</b>   | <u><u>3,142,598</u></u> |

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

|   | General<br>Fund<br>\$ | Debt<br>Service<br>Fund<br>\$ | Nonmajor<br>Governmental<br>Funds<br>\$ | Total<br>\$      |
|---|-----------------------|-------------------------------|---|------------------|
| Revenues:   |                       |                               |   |                  |
| Local sources:  |                       |                               |   |                  |
| Local tax   | 2,253,360             | 396,824                       | 267,793                                 | 2,917,977        |
| Tuition   | 317,993               | -                             | -                                       | 317,993          |
| Other   | 91,970                | 790                           | 204,372                                 | 297,132          |
| State sources   | 2,590,845             | -                             | -                                       | 2,590,845        |
| Federal sources   | 152,129               | -                             | -                                       | 152,129          |
| Total revenues  | <u>5,406,297</u>      | <u>397,614</u>                | <u>472,165</u>                          | <u>6,276,076</u> |
| Expenditures:   |                       |                               |   |                  |
| Current:  |                       |                               |   |                  |
| Instruction:  |                       |                               |   |                  |
| Regular instruction                                       | 2,384,346             | -                             | 14,990                                  | 2,399,336        |
| Special instruction                                       | 824,936               | -                             | -                                       | 824,936          |
| Other instruction   | 433,672               | -                             | 183,098                                 | 616,770          |
|   | <u>3,642,954</u>      | <u>-</u>                      | <u>198,088</u>                          | <u>3,841,042</u> |
| Support services:   |                       |                               |   |                  |
| Student services  | 127,009               | -                             | -                                       | 127,009          |
| Instructional staff services                              | 148,137               | -                             | 27,815                                  | 175,952          |
| Administration services                                   | 528,364               | -                             | 57,301                                  | 585,665          |
| Operation and maintenance of plant services               | 417,433               | -                             | 5,800                                   | 423,233          |
| Transportation services                                   | 267,123               | -                             | 68,411                                  | 335,534          |
|   | <u>1,488,066</u>      | <u>-</u>                      | <u>159,327</u>                          | <u>1,647,393</u> |
| Non-instructional programs                                | <u>2,587</u>          | <u>-</u>                      | <u>2,750</u>                            | <u>5,337</u>     |
| Other expenditures:                                       |                       |                               |   |                  |
| Facilities acquisition                                    | -                     | -                             | 113,523                                 | 113,523          |
| Long-term debt:   |                       |                               |   |                  |
| Principal   | -                     | 211,655                       | -                                       | 211,655          |
| Interest and fiscal charges                               | -                     | 196,715                       | -                                       | 196,715          |
| AEA flowthrough   | 217,041               | -                             | -                                       | 217,041          |
|   | <u>217,041</u>        | <u>408,370</u>                | <u>113,523</u>                          | <u>738,934</u>   |
| Total expenditures  | <u>5,350,648</u>      | <u>408,370</u>                | <u>473,688</u>                          | <u>6,232,706</u> |
| Excess (deficiency) of revenues over (under) expenditures | 55,649                | (10,756)                      | (1,523)                                 | 43,370           |
| Other financing sources (uses):                           |                       |                               |   |                  |
| Proceeds from capital leases                              | -                     | -                             | 45,901                                  | 45,901           |
| Sales of materials and equipment                          | 510                   | -                             | -                                       | 510              |
| Operating transfers in                                    | -                     | 9,205                         | -                                       | 9,205            |
| Operating transfers out                                   | -                     | -                             | (9,205)                                 | (9,205)          |
| Total other financing sources (uses)                      | <u>510</u>            | <u>9,205</u>                  | <u>36,696</u>                           | <u>46,411</u>    |
| Net change in fund balances                               | 56,159                | (1,551)                       | 35,173                                  | 89,781           |
| Fund balances beginning of year, as restated              | <u>418,004</u>        | <u>11,744</u>                 | <u>307,823</u>                          | <u>737,571</u>   |
| Fund balances end of year                                 | <u>474,163</u>        | <u>10,193</u>                 | <u>342,996</u>                          | <u>827,352</u>   |

See notes to financial statements.

## SOUTH HAMILTON 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>  |                  | 89,781                |
| <i>Amounts reported for governmental activities in the<br/>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. Depreciation expense exceeded capital outlay expenditures in the year as follows: |                  |                       |
| Expenditures for capital assets  | 172,649          |                       |
| Depreciation expense   | <u>(300,160)</u> | (127,511)             |
| 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.  |                  | 23,424                |
| 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.  |                  | 211,655               |
| Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.  |                  | 1,239                 |
| Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.  |                  | (45,901)              |
| 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>180</u>            |
| <b>Changes in net assets of governmental activities (Exhibit B)</b>  |                  | <u><u>152,867</u></u> |

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2004

|  | <u>Enterprise Funds</u><br><u>Nonmajor Funds</u><br>\$ | Governmental<br>Activities -<br>Internal Service<br>Fund<br>\$ |
|--|--|--|
| <b>Assets</b>                                      |  |  |
| Cash and cash equivalents                          | 628  | 4,252  |
| Accounts receivable                                | 964  | -  |
| Interfund receivable/payable                       | (18,086)   | -  |
| Inventories  | 15,621   | -  |
| Capital assets, net of accumulated<br>depreciation | 18,291   | -  |
| <b>Total assets</b>                                | <u>17,418</u>  | <u>4,252</u>   |
| <b>Liabilities</b>                                 |  |  |
| Accounts payable                                   | 90   | 4,072  |
| Salaries and benefits payable                      | 2,264  | -  |
| Deferred revenue                                   | 3,690  | -  |
| <b>Total liabilities</b>                           | <u>6,044</u>   | <u>4,072</u>   |
| <b>Net assets</b>                                  |  |  |
| Invested in capital assets, net of related debt    | 18,291   | -  |
| Unrestricted                                       | (6,917)  | 180  |
| <b>Total net assets</b>                            | <u>11,374</u>  | <u>180</u>   |

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds

Year ended June 30, 2004

|                              | <u>Enterprise Funds</u> | <u>Governmental<br/>Activities -<br/>Internal Service<br/>Fund</u> |
|------------------------------|-------------------------|--|
|                              | <u>Nonmajor Funds</u>   | <u>Fund</u>  |
|                              | \$                      | \$   |
| Operating revenue:           |                         |  |
| Local sources:               |                         |  |
| Charges for service          | 186,022                 | 36,344   |
| Operating expenses:          |                         |  |
| Non-instructional programs:  |                         |  |
| Salaries                     | 96,670                  | -  |
| Benefits                     | 48,227                  | 36,164   |
| Purchased services           | 19,875                  | -  |
| Supplies                     | 134,197                 | -  |
| Depreciation                 | 2,742                   | -  |
|                              | 301,711                 | 36,164   |
| Operating gain (loss)        | (115,689)               | 180  |
| Non-operating revenue:       |                         |  |
| State sources                | 4,000                   | -  |
| Federal sources              | 96,582                  | -  |
| Interest income              | 12                      | -  |
| Total non-operating revenue  | 100,594                 | -  |
| Change in net assets         | (15,095)                | 180  |
| Net assets beginning of year | 26,469                  | -  |
| Net assets end of year       | 11,374                  | 180  |

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2004

|  | Enterprise<br>Funds    | Governmental<br>Activities - |
|--|------------------------|------------------------------|
|  | Nonmajor<br>Funds      | Internal<br>Service Fund     |
|  | \$                     | \$                           |
| Cash flows from operating activities:  |                        |                              |
| Cash received from sale of lunches and breakfasts  | 171,590                | -                            |
| Cash received from sale of services and equipment  | 15,436                 | -                            |
| Cash received from sale of services to other funds                                       | -                      | 36,345                       |
| Cash payments to employees for services  | (141,521)              | (34,445)                     |
| Cash payments to suppliers for goods or services   | (136,383)              | -                            |
| Net cash provided by (used by) operating activities                                      | <u>(90,878)</u>        | <u>1,900</u>                 |
| Cash flows from non-capital financing activities:  |                        |                              |
| State grants received  | 4,000                  | -                            |
| Federal grants received  | 76,027                 | -                            |
| Net cash provided by non-capital financing activities                                    | <u>80,027</u>          | <u>-</u>                     |
| Cash flows from capital and related financing activities:                                |                        |                              |
| Loans from other funds   | 4,679                  | -                            |
| Cash flows from investing activities:  |                        |                              |
| Interest on investments  | 12                     | -                            |
| Net increase (decrease) in cash and cash equivalents                                     | (6,160)                | 1,900                        |
| Cash and cash equivalents at beginning of year   | <u>6,788</u>           | <u>2,352</u>                 |
| Cash and cash equivalents at end of year   | <u><u>628</u></u>      | <u><u>4,252</u></u>          |
| <b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b> |                        |                              |
| Operating gain (loss)  | (115,689)              | 180                          |
| Adjustments to reconcile operating gain (loss) to net cash used by operating activities: |                        |                              |
| Commodities used   | 20,555                 | -                            |
| Depreciation   | 2,742                  | -                            |
| Decrease (increase) in inventories   | (2,778)                | -                            |
| Decrease (increase) in accounts receivable   | 1,859                  | -                            |
| (Decrease) increase in accounts payable  | (88)                   | 1,720                        |
| (Decrease) increase in salaries and benefits payable                                     | 3,376                  | -                            |
| (Decrease) increase in deferred revenue  | (855)                  | -                            |
| Net cash used in operating activities  | <u><u>(90,878)</u></u> | <u><u>1,900</u></u>          |

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

During the year ended June 30, 2004, the District received \$20,555 of federal commodities.

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Fund

June 30, 2004

|                             | Private<br>Purpose<br>Trust<br>Scholarship |
|-----------------------------|--|
|                             | <u>\$</u>                                  |
| <b>Assets</b>               |  |
| Cash and pooled investments | 37,360                                     |
| Accrued interest receivable | <u>254</u>                                 |
| <b>Total Assets</b>         | 37,614                                     |
| <b>Liabilities</b>          | <u>-</u>                                   |
| <b>Net Assets</b>           |  |
| Reserved for scholarships   | <u><u>37,614</u></u>                       |

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund

Year ended June 30, 2004

|                              | Private<br>Purpose<br>Trust<br>Scholarship<br>\$ |
|------------------------------|--|
| Additions:                   |  |
| Local sources:               |  |
| Gifts and contributions      | 8,462  |
| Interest                     | 947  |
| Total additions              | <u>9,409</u>                                     |
| Deductions:                  |  |
| Support services:            |  |
| Supplies                     | 263  |
| Scholarships awarded         | <u>8,100</u>                                     |
|                              | <u>8,363</u>                                     |
| Change in net assets         | 1,046  |
| Net assets beginning of year | <u>36,568</u>                                    |
| Net assets end of year       | <u><u>37,614</u></u>                             |

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2004

#### 1. Summary of Significant Accounting Policies

South Hamilton 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 Jewell, Ellsworth, Randall and Stanhope, Iowa and the predominately agricultural territory in a portion of Boone and Hamilton 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, South Hamilton 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 South Hamilton Community School District Foundation is included in the financial statements as a discretely presented component unit.

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

##### B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District has two proprietary enterprise funds. The School Nutrition Fund is used to account for the food service operations of the District and the Agri. Technology Science Student Construction Fund is used to account for student construction projects held for resale.

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.

The District's component unit is the South Hamilton Community School District Foundation. The Foundation was established to maintain, develop, increase and extend the facilities and services of the South Hamilton Community School District, and to provide broader education service opportunities to its students, staff, faculty and the residents of the South Hamilton Community School District. Foundation financial statements are shown in the Statement of Net Assets and the Statement of Activities in separate columns.

#### 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. Proprietary fund inventories include \$13,521 of materials and \$2,100 of completed goods.

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                         | 25,000        |
| Improvements other than buildings | 25,000        |
| Furniture and equipment:          |               |
| School Nutrition Fund equipment   | 500           |
| Other furniture and equipment     | 5,000         |

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

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

## 2. **Cash and Pooled Investments**

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

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

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$49,871 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:

| Receivable Fund                           | Payable Fund  | Amount |
|---|---|--------|
|   |   | \$     |
| Special Revenue:<br>Student Activity Fund | Enterprise:<br>Agri. Science Tech. Student Construction | 14,786 |
| General Fund                              | Enterprise:<br>School Nutrition                         | 3,300  |

The interfund receivable/payable balances are for cash flow purposes.

**4. Interfund Transfers**

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

| Transfer to       | Transfer from  | Amount |
|-------------------|--|--------|
|                   |  | \$     |
| Debt Service Fund | Special Revenue:<br>Physical Plant and Equipment Levy Fund | 9,205  |

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

**5. Iowa School Cash Anticipation Program (ISCAP)**

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

| Series   | Warrant Date | Final Warrant<br>Maturity | Investments | Accrued<br>Interest<br>Receivable | Warrants<br>Payable | Accrued<br>Interest<br>Payable |
|----------|--------------|---------------------------|-------------|-----------------------------------|---------------------|--------------------------------|
|          |              |                           | \$          | \$                                | \$                  | \$                             |
| 2004-05A | 6/30/04      | 6/30/05                   | 437,358     | -                                 | 435,000             | -                              |

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

| Balance<br>Beginning of<br>Year | Advances<br>Received | Advances<br>Repaid | Balance End<br>of Year |
|---------------------------------|----------------------|--------------------|------------------------|
| \$                              | \$                   | \$                 | \$                     |
| -                               | -                    | -                  | -                      |

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

| Series   | Interest Rates<br>on Warrants<br>% | Interest Rates<br>on Investments<br>% |
|----------|------------------------------------|---------------------------------------|
| 2004-05A | 3.000                              | 2.463                                 |

## 6. Capital Assets

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

|  | Balance<br>Beginning<br>of Year, as<br>Restated | Increases | Decreases | Balance End<br>of Year |
|--|---|-----------|-----------|------------------------|
|  | \$  | \$        | \$        | \$                     |
| <b>Governmental activities:</b>                |   |           |           |                        |
| Capital assets not being depreciated:          |   |           |           |                        |
| Land   | 39,301  | -         | -         | 39,301                 |
| Capital assets being depreciated:              |   |           |           |                        |
| Buildings                                      | 7,794,553                                       | -         | -         | 7,794,553              |
| Improvements other than buildings              | 334,197   | -         | -         | 334,197                |
| Furniture and equipment                        | 1,387,957                                       | 172,649   | 25,000    | 1,535,606              |
| Total capital assets being deprec.             | 9,516,707                                       | 172,649   | 25,000    | 9,664,356              |
| Less accumulated depreciation for:             |   |           |           |                        |
| Buildings                                      | 1,936,110                                       | 176,425   | -         | 2,112,535              |
| Improvements other than buildings              | 227,244   | 11,166    | -         | 238,410                |
| Furniture and equipment                        | 1,042,364                                       | 112,569   | 25,000    | 1,129,933              |
| Total accumulated depreciation                 | 3,205,718                                       | 300,160   | 25,000    | 3,480,878              |
| Total capital assets being<br>Depreciated, net | 6,310,989                                       | (127,511) | -         | 6,183,478              |
| Governmental activities capital<br>Assets, net | 6,350,290                                       | (127,511) | -         | 6,222,779              |

|  | Balance<br>Beginning of<br>Year | Increases      | Decreases | Balance End<br>of Year |
|--|---------------------------------|----------------|-----------|------------------------|
|  | \$                              | \$             | \$        | \$                     |
| <b>Business type activities:</b>             |                                 |                |           |                        |
| Furniture and equipment                      | 116,558                         | -              | -         | 116,558                |
| Less accumulated depreciation                | <u>95,525</u>                   | <u>2,742</u>   | -         | <u>98,267</u>          |
| Business type activities capital assets, net | <u>21,033</u>                   | <u>(2,742)</u> | -         | <u>18,291</u>          |

Depreciation expense was charged to the following functions:

|  |                |
|--|----------------|
|  | \$             |
| Governmental activities:                             |                |
| Instruction:   |                |
| Regular  | 2,586          |
| Other  | 690            |
| Support Services:                                    |                |
| Instructional staff services                         | 34,909         |
| Administration services                              | 11,810         |
| Operation and maintenance of plant services          | 9,854          |
| Transportation                                       | <u>52,720</u>  |
|  | 112,569        |
| Unallocated depreciation                             | <u>187,591</u> |
| Total depreciation expense – governmental activities | <u>300,160</u> |
| Business type activities:                            |                |
| Food services  | <u>2,742</u>   |

## 7. Long-Term Liabilities

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

|                          | Balance<br>Beginning<br>of Year | Additions     | Reductions     | Balance End<br>of Year | Due Within<br>One Year |
|--------------------------|---------------------------------|---------------|----------------|------------------------|------------------------|
|                          | \$                              | \$            | \$             | \$                     | \$                     |
| General obligation bonds | 4,125,000                       | -             | 205,000        | 3,920,000              | 220,000                |
| Capital leases           | -                               | 45,901        | 6,655          | 39,246                 | 8,477                  |
| Total                    | <u>4,125,000</u>                | <u>45,901</u> | <u>211,655</u> | <u>3,959,246</u>       | <u>228,477</u>         |

General Obligation Bonds Payable

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

| Year Ending<br>June 30, | Bond Issue of <a href="#">May, 1998</a> |           |           |           |
|-------------------------|---|-----------|-----------|-----------|
|                         | Interest Rates                          | Principal | Interest  | Total     |
|                         | %                                       | \$        | \$        | \$        |
| 2005                    | 4.90                                    | 220,000   | 185,452   | 405,452   |
| 2006                    | 5.75                                    | 235,000   | 174,672   | 409,672   |
| 2007                    | 5.75                                    | 245,000   | 161,160   | 406,160   |
| 2008                    | 4.25                                    | 260,000   | 147,072   | 407,072   |
| 2009                    | 4.30                                    | 270,000   | 136,022   | 406,022   |
| 2010-2014               | 4.40-4.65                               | 1,555,000 | 488,916   | 2,043,916 |
| 2015-2017               | 4.70-4.75                               | 1,135,000 | 109,307   | 1,244,307 |
|                         |   | 3,920,000 | 1,402,601 | 5,322,601 |

Capital Leases

The District has leased [two copy machines](#) under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, [2004](#).

|   | Year Ending<br>June 30, | Amount |
|---|-------------------------|--------|
|   |                         | \$     |
|   | <a href="#">2005</a>    | 11,022 |
|   | <a href="#">2006</a>    | 11,022 |
|   | <a href="#">2007</a>    | 11,022 |
|   | <a href="#">2008</a>    | 11,022 |
|   | <a href="#">2009</a>    | 1,837  |
| Minimum Lease Payments                  |                         | 45,925 |
| Less Amount Representing Interest       |                         | 6,679  |
| Present Value of Minimum Lease Payments |                         | 39,246 |

**8. Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, [2004](#), [2003](#) and [2002](#). Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, [2004](#), [2003](#), and [2002](#) were \$[197,089](#), \$[190,822](#), and \$[186,224](#) respectively, equal to the required contributions for each year.

## 9. Risk Management

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

## 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$217,041 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## 11. Construction Commitment

The District has entered into contracts totaling \$49,200 for repairs and a greenhouse. Work on the projects had not started at June 30, 2004.

## 12. 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 amount for governmental activities has been restated to include capital assets, long-term liabilities, and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

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

|  | Fund           |                 |                | Total            |
|--|----------------|-----------------|----------------|------------------|
|  | General        | Debt<br>Service | Nonmajor       |                  |
|  | \$             | \$              | \$             | \$               |
| Net assets, June 30, 2003, as previously reported                    | 418,004        | 11,744          | 292,821        | 722,569          |
| Reclassification of District Support Trust Funds                     | -              | -               | 15,002         | 15,002           |
| GASB Interpretation 6 adjustments                                    | -              | -               | -              | -                |
| Net assets, July 1, 2003, as restated for<br>Governmental funds      | <u>418,004</u> | <u>11,744</u>   | <u>307,823</u> | <u>737,571</u>   |
| GASB 34 adjustments:   |                |                 |                |                  |
| Capital assets net of accumulated depreciation of <b>\$3,205,718</b> |                |                 |                | 6,350,290        |
| Long-term liabilities:   |                |                 |                |                  |
| Bonds  |                |                 |                | (4,125,000)      |
| Accrued interest payable   |                |                 |                | (32,361)         |
| Deferred revenue   |                |                 |                | <u>59,231</u>    |
| Net assets, July 1, 2003, as restated                                |                |                 |                | <u>2,898,731</u> |

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH HAMILTON 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<br>Fund Actual | Proprietary<br>Fund Actual | Total Actual            | Budgeted Amounts      |                       | Final to Actual<br>Variance -<br>Positive<br>(Negative) |
|--|-----------------------------|----------------------------|-------------------------|-----------------------|-----------------------|---|
|  |                             |                            |                         | Original              | Final                 |   |
|  | \$                          | \$                         | \$                      |                       | \$                    | \$  |
| Receipts:  |                             |                            |                         |                       |                       |   |
| Local sources  | 3,512,981                   | 187,038                    | 3,700,019               | 3,814,481             | 3,814,481             | (114,462)   |
| State sources  | 2,592,645                   | 4,000                      | 2,596,645               | 2,753,979             | 2,753,979             | (157,334)   |
| Federal sources  | 156,547                     | 96,582                     | 253,129                 | 212,000               | 212,000               | 41,129  |
| Total receipts   | <u>6,262,173</u>            | <u>287,620</u>             | <u>6,549,793</u>        | <u>6,780,460</u>      | <u>6,780,460</u>      | <u>(230,667)</u>  |
| Disbursements:   |                             |                            |                         |                       |                       |   |
| Instruction  | 3,815,612                   | -                          | 3,815,612               | 4,405,341             | 4,405,341             | 589,729   |
| Support services   | 1,630,158                   | -                          | 1,630,158               | 1,839,103             | 1,839,103             | 208,945   |
| Non-instructional programs   | 5,334                       | 298,459                    | 303,793                 | 449,105               | 449,105               | 145,312   |
| Other expenditures   | 739,699                     | -                          | 739,699                 | 893,603               | 893,603               | 153,904   |
| Total disbursements  | <u>6,190,803</u>            | <u>298,459</u>             | <u>6,489,262</u>        | <u>7,587,152</u>      | <u>7,587,152</u>      | <u>1,097,890</u>  |
| Excess (deficiency) of receipts over<br>(under) disbursements                                    | 71,370                      | (10,839)                   | 60,531                  | (806,692)             | (806,692)             | 867,223   |
| Other financing sources (uses) net   | <u>38,432</u>               | <u>4,679</u>               | <u>43,111</u>           | <u>-</u>              | <u>-</u>              | <u>43,111</u>   |
| Excess (deficiency) of receipts and other financing<br>sources (uses) over (under) disbursements | 109,802                     | (6,160)                    | 103,642                 | (806,692)             | (806,692)             | 910,334   |
| Balance beginning of year  | <u>1,120,302</u>            | <u>6,788</u>               | <u>1,127,090</u>        | <u>1,475,993</u>      | <u>1,475,993</u>      | <u>(348,903)</u>  |
| Balance end of year  | <u><u>1,230,104</u></u>     | <u><u>628</u></u>          | <u><u>1,230,732</u></u> | <u><u>669,301</u></u> | <u><u>669,301</u></u> | <u><u>561,431</u></u>                                   |

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

|                                    | Governmental Funds |                     |                        |
|------------------------------------|--------------------|---------------------|------------------------|
|                                    | Cash Basis         | Accrual Adjustments | Modified Accrual Basis |
|                                    | \$                 | \$                  | \$                     |
| Revenues                           | 6,262,173          | 13,903              | 6,276,076              |
| Expenditures                       | 6,190,803          | 41,903              | 6,232,706              |
| Net                                | 71,370             | (28,000)            | 43,370                 |
| Other financing sources (uses) net | 38,432             | 7,979               | 46,411                 |
| Beginning fund balances            | 1,120,302          | (382,731)           | 737,571                |
| Ending fund balances               | 1,230,104          | (402,752)           | 827,352                |

  

|                                    | Proprietary Fund |                     |               |
|------------------------------------|------------------|---------------------|---------------|
|                                    | Enterprise       |                     |               |
|                                    | Cash Basis       | Accrual Adjustments | Accrual Basis |
|                                    | \$               | \$                  | \$            |
| Revenues                           | 287,620          | (1,004)             | 286,616       |
| Expenditures                       | 298,459          | 3,252               | 301,711       |
| Net                                | (10,839)         | (4,256)             | (15,095)      |
| Other financing sources (uses) net | 4,679            | (4,679)             | -             |
| Beginning fund balances            | 6,788            | 19,681              | 26,469        |
| Ending fund balances               | 628              | 10,746              | 11,374        |

## SOUTH HAMILTON 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 its budget during the year.

OTHER SUPPLEMENTARY INFORMATION

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2004

| Assets                                     | Special Revenue Funds |                             |  |                              |                     | Total          |
|--|-----------------------|-----------------------------|--|------------------------------|---------------------|----------------|
|  | Management<br>Levy    | Student<br>Activity<br>Fund | Physical<br>Plant and<br>Equipment<br>Levy | District<br>Support<br>Trust | Capital<br>Projects |                |
|  | \$                    | \$                          | \$   | \$                           | \$                  | \$             |
| Cash and pooled investments                | 25,713                | 28,004                      | 211,421                                    | 15,305                       | 50,445              | 330,888        |
| Receivables:                               |                       |                             |  |                              |                     |                |
| Property tax:                              |                       |                             |  |                              |                     |                |
| Delinquent                                 | 1,051                 | -                           | 2,099                                      | -                            | -                   | 3,150          |
| Succeeding year                            | 75,000                | -                           | 144,981                                    | -                            | -                   | 219,981        |
| Accounts                                   | -                     | 150                         | -  | -                            | -                   | 150            |
| Accrued interest                           | -                     | -                           | -  | 52                           | 27                  | 79             |
| Interfund receivable                       | -                     | 14,786                      | -  | -                            | -                   | 14,786         |
| Due from other governments                 | -                     | -                           | -  | -                            | 275                 | 275            |
| <b>Total assets</b>                        | <b>101,764</b>        | <b>42,940</b>               | <b>358,501</b>                             | <b>15,357</b>                | <b>50,747</b>       | <b>569,309</b> |
| <b>Liabilities &amp; Fund Balances</b>     |                       |                             |  |                              |                     |                |
| Liabilities:                               |                       |                             |  |                              |                     |                |
| Accounts payable                           | -                     | 950                         | 382  | -                            | 5,000               | 6,332          |
| Deferred revenue:                          |                       |                             |  |                              |                     |                |
| Succeeding year property tax               | 75,000                | -                           | 144,981                                    | -                            | -                   | 219,981        |
| Total liabilities                          | 75,000                | 950                         | 145,363                                    | -                            | 5,000               | 226,313        |
| Fund balances:                             |                       |                             |  |                              |                     |                |
| Unreserved fund balance                    | 26,764                | 41,990                      | 213,138                                    | 15,357                       | 45,747              | 342,996        |
| <b>Total liabilities and fund balances</b> | <b>101,764</b>        | <b>42,940</b>               | <b>358,501</b>                             | <b>15,357</b>                | <b>50,747</b>       | <b>569,309</b> |

## SOUTH HAMILTON 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            | Student              | Physical              | District             | Capital              |                       |
|  | Levy                  | Activity             | Plant and             | Support              | Projects             |                       |
|  | Fund                  | Equipment            | Trust                 |                      |                      |                       |
|  |                       | Levy                 | Funds                 |                      |                      |                       |
|  | \$                    | \$                   | \$                    | \$                   | \$                   | \$                    |
| Revenues:  |                       |                      |                       |                      |                      |                       |
| Local sources:   |                       |                      |                       |                      |                      |                       |
| Local tax  | 89,483                | -                    | 177,464               | -                    | 846                  | 267,793               |
| Other  | 888                   | 200,973              | 1,844                 | 355                  | 312                  | 204,372               |
| Total revenues   | <u>90,371</u>         | <u>200,973</u>       | <u>179,308</u>        | <u>355</u>           | <u>1,158</u>         | <u>472,165</u>        |
| Expenditures:  |                       |                      |                       |                      |                      |                       |
| Current:   |                       |                      |                       |                      |                      |                       |
| Instruction:   |                       |                      |                       |                      |                      |                       |
| Regular instruction  | 14,990                | -                    | -                     | -                    | -                    | 14,990                |
| Other instruction  | -                     | 183,098              | -                     | -                    | -                    | 183,098               |
| Support services:  |                       |                      |                       |                      |                      |                       |
| Instructional staff services                                 | 27,815                | -                    | -                     | -                    | -                    | 27,815                |
| Administration services                                      | 11,400                | -                    | 45,901                | -                    | -                    | 57,301                |
| Operation and maintenance of<br>plant services               | 5,800                 | -                    | -                     | -                    | -                    | 5,800                 |
| Transportation services                                      | 3,700                 | -                    | 64,711                | -                    | -                    | 68,411                |
| Non-instructional programs                                   | 2,750                 | -                    | -                     | -                    | -                    | 2,750                 |
| Other expenditures:  |                       |                      |                       |                      |                      |                       |
| Facilities acquisition                                       | -                     | -                    | 109,700               | -                    | 3,823                | 113,523               |
| Total expenditures   | <u>66,455</u>         | <u>183,098</u>       | <u>220,312</u>        | <u>-</u>             | <u>3,823</u>         | <u>473,688</u>        |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>23,916</u>         | <u>17,875</u>        | <u>(41,004)</u>       | <u>355</u>           | <u>(2,665)</u>       | <u>(1,523)</u>        |
| Other financing sources (uses):                              |                       |                      |                       |                      |                      |                       |
| Proceeds from capital leases                                 | -                     | -                    | 45,901                | -                    | -                    | 45,901                |
| Operating transfers out                                      | -                     | -                    | (9,205)               | -                    | -                    | (9,205)               |
| Total other financing sources (uses)                         | <u>-</u>              | <u>-</u>             | <u>36,696</u>         | <u>-</u>             | <u>-</u>             | <u>36,696</u>         |
| Net change in fund balance                                   | 23,916                | 17,875               | (4,308)               | 355                  | (2,665)              | 35,173                |
| Fund balances beginning of year,<br>as restated              | <u>2,848</u>          | <u>24,115</u>        | <u>217,446</u>        | <u>15,002</u>        | <u>48,412</u>        | <u>307,823</u>        |
| Fund balances end of year                                    | <u><u>26,764</u></u>  | <u><u>41,990</u></u> | <u><u>213,138</u></u> | <u><u>15,357</u></u> | <u><u>45,747</u></u> | <u><u>342,996</u></u> |

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

| <u>Account</u>         | Balance<br>Beginning<br>of Year | Revenues       | Expenditures   | Balance<br>End of<br>Year |
|------------------------|---------------------------------|----------------|----------------|---------------------------|
|                        | \$                              | \$             | \$             | \$                        |
| Dramatics              | 83                              | 3,627          | 1,702          | 2,008                     |
| FFA                    | 1,618                           | 17,805         | 17,398         | 2,025                     |
| Technology club        | 120                             | -              | -              | 120                       |
| Student council        | 1,695                           | 16,000         | 17,282         | 413                       |
| National Honor Society | (471)                           | 986            | 520            | (5)                       |
| Spanish club           | 286                             | -              | -              | 286                       |
| Yearbook               | 6,110                           | 12,628         | 7,917          | 10,821                    |
| Hamilton holidays      | 7,834                           | 3,002          | 2,832          | 8,004                     |
| Athletics              | (4,038)                         | 95,187         | 89,157         | 1,992                     |
| Concessions            | 2,677                           | 28,371         | 29,124         | 1,924                     |
| District Football      | -                               | 600            | -              | 600                       |
| Class of 2004          | -                               | 2,117          | 2,029          | 88                        |
| Class of 2003          | 189                             | 30             | 219            | -                         |
| Swing choir            | 77                              | 211            | 191            | 97                        |
| H.S. band              | 329                             | -              | -              | 329                       |
| Elementary vocal       | 260                             | 80             | 80             | 260                       |
| K-6 student council    | 2,356                           | 6,286          | 1,227          | 7,415                     |
| M.S. band              | 991                             | 73             | -              | 1,064                     |
| 7-8 student council    | 781                             | 2,005          | 75             | 2,711                     |
| Springbrook trip       | -                               | 1,680          | 1,680          | -                         |
| Prom                   | 2,025                           | 10,216         | 10,760         | 1,481                     |
| Interest               | 1,193                           | 69             | 905            | 357                       |
|                        | <u>24,115</u>                   | <u>200,973</u> | <u>183,098</u> | <u>41,990</u>             |
| Total                  | <u>24,115</u>                   | <u>200,973</u> | <u>183,098</u> | <u>41,990</u>             |

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT  
 Schedule of Revenues by Source and Expenditures by Function  
 All Governmental Funds

For the Last Four Years

|  | Modified Accrual Basis |                  |                  |                  |
|--|------------------------|------------------|------------------|------------------|
|  | 2004                   | 2003             | 2002             | 2001             |
|  | \$                     | \$               | \$               | \$               |
| Revenues:                                    |                        |                  |                  |                  |
| Local sources:                               |                        |                  |                  |                  |
| Local tax                                    | 2,917,977              | 2,926,734        | 2,821,068        | 2,620,381        |
| Tuition                                      | 317,993                | 242,237          | 391,906          | 182,820          |
| Other  | 297,132                | 299,095          | 190,584          | 392,321          |
| State sources                                | 2,590,845              | 2,626,993        | 2,541,434        | 2,726,201        |
| Federal sources                              | 152,129                | 127,868          | 85,658           | 158,590          |
| Total revenues                               | <u>6,276,076</u>       | <u>6,222,927</u> | <u>6,030,650</u> | <u>6,080,313</u> |
| Expenditures:                                |                        |                  |                  |                  |
| Instruction:                                 |                        |                  |                  |                  |
| Regular instruction                          | 2,399,336              | 2,355,673        | 2,380,974        | 2,423,393        |
| Special instruction                          | 824,936                | 748,384          | 655,011          | 612,688          |
| Other instruction                            | 616,770                | 609,615          | 549,407          | 539,598          |
| Support services:                            |                        |                  |                  |                  |
| Student services                             | 127,009                | 125,868          | 150,042          | 183,463          |
| Instructional staff services                 | 175,952                | 191,710          | 175,094          | 188,046          |
| Administration services                      | 585,665                | 522,457          | 530,273          | 456,245          |
| Operation and maintenances of plant services | 423,233                | 400,197          | 383,411          | 430,449          |
| Transportation services                      | 335,534                | 325,810          | 306,274          | 264,556          |
| Central support services                     | -                      | -                | -                | 3,485            |
| Non-instructional programs                   | 5,337                  | 6,650            | 6,486            | 7,779            |
| Other expenditures:                          |                        |                  |                  |                  |
| Facilities acquisition                       | 113,523                | 143,350          | 105,972          | 304,892          |
| Long-term debt:                              |                        |                  |                  |                  |
| Principal                                    | 211,655                | 202,542          | 187,056          | 176,909          |
| Interest and other charges                   | 196,715                | 197,214          | 210,563          | 218,148          |
| AEA flowthrough                              | 217,041                | 228,996          | 227,200          | 239,758          |
| Total expenditures                           | <u>6,232,706</u>       | <u>6,058,466</u> | <u>5,867,763</u> | <u>6,049,409</u> |

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

To the Board of Education of the  
South Hamilton Community School District:

We have audited the financial statements of the South Hamilton Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 5, 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 South Hamilton 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-E, and 04-II-K.

### Internal Control over Financial Reporting

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the [South Hamilton](#) 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 [South Hamilton](#) 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 5, 2004](#)

SOUTH HAMILTON 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** Summer Athletic Camps: Several summer athletic camps are held at school facilities. However, it is not always clear if the District is running and sponsoring the camp or if an outside party is running the camp.

Recommendation: If the District is sponsoring the camp all revenues should be paid to the school and the school should pay all expenses. If an outside party is sponsoring the camp the District should receive rent for the use of facilities and the outside party should provide proof of insurance. All newsletters and camp promotions should clearly explain who is sponsoring the camp.

District Response: We will review our current procedures and make necessary changes to eliminate confusion about who is running athletic camps.

Conclusion: Response accepted.

SOUTH HAMILTON 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, did not exceed the amounts budgeted.

**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 transaction between the District and District officials or employees.

| <u>Name, Title and Business Connection</u>           | <u>Transaction Description</u> | <u>Amount</u> |
|--|--------------------------------|---------------|
|  |                                | \$            |
| Dave Carlson, board member,<br>substitute bus driver | Bus driver                     | 1,653         |

This transaction does not appear to be a conflict of interest because, as allowed by the Code of Iowa the employment was part time and temporary and the amount paid was not over \$2,500.

**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: No transactions requiring board approval that had not been approved by the board were noted.

**04-II-H** Certified Enrollment: The calculations for supplemental weighting on line 12 of the Certified Enrollment Certification Form for September 2003, included six open enrollment in students. Supplemental weighting should only include resident 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.

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

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

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

**04-II-K**      Financial Condition: At June 30, 2004, the Enterprise, Agri. Science Tech. Student Construction Fund had deficit fund balances of \$6,206.

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

District Response: We are working on ways to eliminate the deficits.

Conclusion: Response accepted.

**04-II-L**      Public Hearing: The Code of Iowa requires that schools hold a public hearing for all capital improvements with a cost exceeding \$25,000. We noted that the Board approved a siding and roof project without holding a public hearing.

Recommendation: The District should hold public hearings for all capital projects with cost in excess of \$25,000.

District Response: We will do this in the future.

Conclusion: Response accepted.