

**TERRIL COMMUNITY  
SCHOOL DISTRICT**

**Independent Auditor's Report  
Basic Financial Statements  
and Supplementary Information  
Schedule of Findings**

**June 30, 2004**

**DAVID A. MASKE**

Certified Public Accountant  
Spencer, Iowa

# TERRIL COMMUNITY SCHOOL DISTRICT

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# TERRIL COMMUNITY SCHOOL DISTRICT

## OFFICIALS

NAME	TITLE	TERM EXPIRES
<b>BOARD OF EDUCATION (Before September 2003 Election)</b>		
Kelvin Sawyer	President	2003
Bill Gerdeman	Vice-President	2005
Galen Chicoine	Board Member	2005
Larry Flaherty	Board Member	2004
Jodi Oleson	Board Member	2003

<b>BOARD OF EDUCATION (After September 2003 Election)</b>		
Kelvin Sawyer	President	2006
Larry Flaherty	Vice-President	2004
Galen Chicoine	Board Member	2005
Jodi Oleson	Board Member	2006
Bill Gerdeman (Resigned)	Board Member	--
Amy Woodruff (Appointed)	Board Member	2004

## SCHOOL OFFICIALS

Bruce Tepfer	Superintendent	2004
Karen Oleson	District Secretary/Treasurer	Indefinite

# DAVID A. MASKE

Certified Public Accountant

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## INDEPENDENT AUDITOR'S REPORT

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

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

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

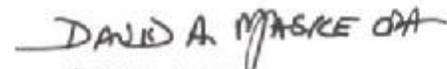
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Terri Community School District at June 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, Terri Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, I have also issued my reports dated December 9, 2004, on my consideration of Terri School District's internal control over financial reporting and my 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 read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 15 and 35 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Terri Community School District's basic financial statements. Other auditors 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. Other supplemental information included in Schedules 1 through 5 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 my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the aforementioned statements taken as a whole.



DAVID A. MASKE  
Certified Public Accountant

December 9, 2004  
Spencer, Iowa

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

## 2004 FINANCIAL HIGHLIGHTS

General Fund revenue decreased from \$1,807,106 in fiscal 2003 to \$1,743,277 in fiscal 2004, while General fund expenditures increased from \$1,721,010 to \$1,817,815 in fiscal year 2004. The District's General Fund balance decreased from \$436,523 in fiscal 2003 to \$362,435 in fiscal 2004.

## USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Terril Community School District as a whole and represent an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Terril Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Terril Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditure of Federal Awards provides details of various programs benefiting the District.

- The district's overall financial position in the General Fund worsened compared to the prior year. The unreserved / undesignated general fund balance decreased from \$436,523 to \$362,435. Even with this decline, the district's solvency ratio is still well above the target range of 5%-10% that most districts try to attain.
- The certified enrollment count taken on September 19, 2003, was 198.1. This count represents 12.8 students less than the prior year. This continues the downward trend in enrollment that has resulted in a loss of 44 students since the 1999-2000 school year. In addition, some students decided not to attend Terril in FY2004 because of the anticipated whole grade sharing agreement with Graettinger to start in FY2005.
- In the 2003-04 school year we had 35.1 students open enroll out and 10 students open enroll in. This compares to 30.1 open enrolled out in the prior year and 10 open enrolled in. In the past five years we have netted between 20 and 25 students out.
- The Special Education Program ended fiscal year 2004 with a balance of (\$11,745). This is compared to a balance of (\$28,659) in the prior year. The program has ended the year with a positive balance in only one of seventeen years. In the last five years, negative balances have ranged from \$3,779 to \$35,024. In the 2003-04 school year, fourteen students were sent or open enrolled out to other districts resulting in \$152,298 in tuition paid to other schools for special education.
- Medical costs have increased steadily in recent years. In the 2003-04 school year medical costs in the General Fund totaled over \$122,000, up about 32 per cent from the prior year.
- One teacher resigned to take advantage of the early retirement plan. JoAnn Chaffin resigned as Title I/special education teacher and was replaced by first year teacher, Matthew Berryhill. This resulted in savings for the General Fund.
- Capital project revenue totaled \$156,322 from Local Option Sales Tax in Emmet and Dickinson counties. In March, 2004 funds started coming in from Clay county's School Improvement Local Option tax; receipts for the year totaled \$16,467. The district paid off the \$275,000 loan that was taken out to construct the Tech Building. The district awarded a bid to replace the boiler system at an estimated cost of \$43,675. Bids were also awarded for a major remodeling of the second floor.

- Although revenue from the state increased slightly in FY2004, the general trend in the previous four years shows that the district continues to move toward increased local revenue efforts while the state's contribution levels decline.
- A breakdown of the district's total valuation is shown below.

	<u>Total Valuation</u>	<u>Percentage of Total Gross Valuation</u>
Residential Property	14,772,734	17.97%
Agricultural Land	59,927,045	72.90%
Agricultural Buildings	3,785,940	4.61%
Commercial Property	870,897	1.06%
Industrial Property	999,664	1.22%
Utilities	<u>1,842,926</u>	<u>2.24%</u>
TOTAL	82,199,206	100.00%

- The Day's Net Cash Ratio shows the effect of deficit spending. On June 30, 2004 the District had a cash balance of \$377,970. This amount, when divided by FY2004 average daily expenditures of \$4,980, yields 76 days of operating cash flow. This indicates that the district still has sufficient cash reserves to operate until September, when the first payment is received from the state.

# FINANCIAL INDICATOR SUMMARY SHEET

	2000	2001	2002	2003	2004
<b>Balance Sheet Comparison</b>					
% of Change between years:					
Assets	-11.3%	-16.6%	1.7%	23.1%	-17.2%
Liabilities	-69.4%	-4.3%	1.7%	99.5%	-21.9%
Fund Balance	7.1%	16.9%	1.7%	21.0%	17.0%
<b>Rev. &amp; Expend. Comparison</b>					
% of Change between years;					
Revenues	-2.8%	-3.9%	1.8%	10.4%	-3.6%
Expenditures	-2.5%	-1.5%	-2.9%	6.2%	-4.9%
Fund Balance	115.4%	121.6%	108.4%	1154.5%	197.8%
<b>Financial Solvency Ratio ,</b>					
District Equity Position	25.16%	20.19%	20.72%	23.04%	19.84%
<b>Unspent Balance Ratio,</b>					
Unbudgeted Spending Reserves:					
Regular	17.80%	16.05%	17.52%	18.03%	13.44%
Unreserved	17.54%	14.57%	16.45%	17.09%	12.66%
<b>Rev. &amp; Expend. Change Ratio</b>					
Measures Trends	1 : 1	2.5 : 1	.6 : 1	1.7 : 1	.8 : 1
<b>Rev. (Deficit) Margin Ratio</b>					
Measures Operating Results	-1.94%	-4.47%	0.37%	4.19%	-4.25%
<b>Contribution Ratio,</b>					
Measures Local Taxation Effort:					
Property Tax / Income Surtax	38.6%	44.9%	48.5%	50.3%	50.6%
Other Local	6.6%	7.0%	5.4%	8.6%	5.8%
State	51.1%	45.7%	41.4%	37.1%	39.1%
Federal	3.7%	2.4%	4.7%	4.0%	4.5%
<b>Day's Net Cash Ratio</b>					
Short Term Solvency (Days)	93	79	83	96	76
<b>Assets to Liab. Ratio,</b>					
Measures Short-term Solvency	4264.67%	3728.55%	3718.12%	2294.58%	2433.02%

## Balance Sheet Comparisons General Fund Only

	FY02	\$ Change	% Change	FY03	\$ Change	% Change	FY04	\$ Change	% Change	
<b>Assets:</b>										
Cash & Investments	\$ 297,450	\$ 19,667	7.1%	\$ 409,082	\$ 111,632	37.5%	\$ 328,303	\$ (80,779)	-19.7%	leacar P2L1-2
Receivables	\$ 73,321	\$ (13,436)	-15.5%	\$ 47,332	\$ (25,989)	-35.4%	\$ 49,667	\$ 2,335	4.9%	P2L3-7
Inventories	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	P2L8
ISCAP	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	P2L10-11
Other Assets	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	P2L12
<b>Total Assets</b>	<b>\$ 370,771</b>	<b>\$ 6,231</b>	<b>1.7%</b>	<b>\$ 456,414</b>	<b>\$ 85,643</b>	<b>23.1%</b>	<b>\$ 377,970</b>	<b>\$ (78,444)</b>	<b>-17.2%</b>	
<b>Liabilities:</b>										
Payables	\$ 1,604	\$ (4,114)	-71.9%	\$ 60	\$ (1,544)	-96.3%	\$ 12,180	\$ 12,120	20200.0%	leacar P2L24-29
Payroll	\$ 8,368	\$ 4,279	104.6%	\$ 19,831	\$ 11,463	137.0%	\$ 3,355	\$ (16,476)	-83.1%	P2L30-31
ISCAP	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	P2L33-34
Other Liabilities	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	P2L32&35
<b>Total Liabilities</b>	<b>\$ 9,972</b>	<b>\$ 165</b>	<b>1.7%</b>	<b>\$ 19,891</b>	<b>\$ 9,919</b>	<b>99.5%</b>	<b>\$ 15,535</b>	<b>\$ (4,356)</b>	<b>-21.9%</b>	
<b>Fund Balance:</b>										
Reserved	\$ 21,273	(\$8,571)	-28.7%	\$ 19,835	(\$1,438)	-6.8%	\$ 16,462	(\$3,373)	-17.0%	leacar P2L44-53
Unreserved	\$ 339,526	\$14,607	4.5%	\$ 416,688	\$77,162	22.7%	\$ 345,973	(\$70,715)	17.0%	P2L54
<b>Total Fund Balance</b>	<b>\$ 360,799</b>	<b>\$6,036</b>	<b>1.7%</b>	<b>\$ 436,523</b>	<b>\$75,724</b>	<b>21.0%</b>	<b>\$ 362,435</b>	<b>(\$74,088)</b>	<b>17.0%</b>	

## Revenue & Expenditures Comparison General Fund Only

	FY02	\$ Change	% Change	FY03	\$ Change	% Change	FY04	\$ Change	% Change	
Revenues:										leacar
Local sources	\$882,952	\$47,697	5.7%	\$1,065,758	\$182,806	20.7%	\$983,896	(\$81,862)	-7.7%	P5L39
State sources	\$678,043	(\$56,785)	-7.7%	\$670,145	(\$7,898)	-1.2%	\$682,073	\$11,928	1.8%	P5L54
Federal sources	\$77,508	\$38,664	99.5%	\$72,948	(\$4,560)	-5.9%	\$77,758	\$4,810	6.6%	P5L78
Other sources	\$0	\$0	0.0%	\$0	\$0	0.0%	\$0	\$0	0.0%	P5L84
<b>Total revenues</b>	<b>\$1,638,503</b>	<b>\$29,576</b>	<b>1.8%</b>	<b>\$1,808,851</b>	<b>\$170,348</b>	<b>10.4%</b>	<b>\$1,743,727</b>	<b>(\$65,124)</b>	<b>-3.6%</b>	
Expenditures:										leacar
Instruction	\$1,144,181	(\$5,031)	-0.4%	\$1,255,924	\$111,743	9.8%	\$1,306,112	\$50,188	4.0%	P6L1-7
Support services	\$405,904	(\$38,557)	-8.7%	\$400,612	(\$5,292)	-1.3%	\$434,739	\$34,127	8.5%	P6L8-24
Non-instructional	\$17,468	(\$1,191)	-6.4%	\$12,376	(\$5,092)	-29.2%	\$15,134	\$2,758	22.3%	P6L25-30
Other expenditures	\$64,914	(\$3,672)	-5.4%	\$64,215	(\$699)	-1.1%	\$61,830	(\$2,385)	-3.7%	P6L31-33
<b>Total expenditures</b>	<b>\$1,632,467</b>	<b>(\$48,451)</b>	<b>-2.9%</b>	<b>\$1,733,127</b>	<b>\$100,660</b>	<b>6.2%</b>	<b>\$1,817,815</b>	<b>\$84,688</b>	<b>4.9%</b>	
Changes in fund balance:										
Excess (deficiency) of revenues over/(under) expenditures	\$6,036	\$78,027	108.4%	\$75,724	\$69,688	1154.5%	(\$74,088)	(\$149,812)	197.8%	

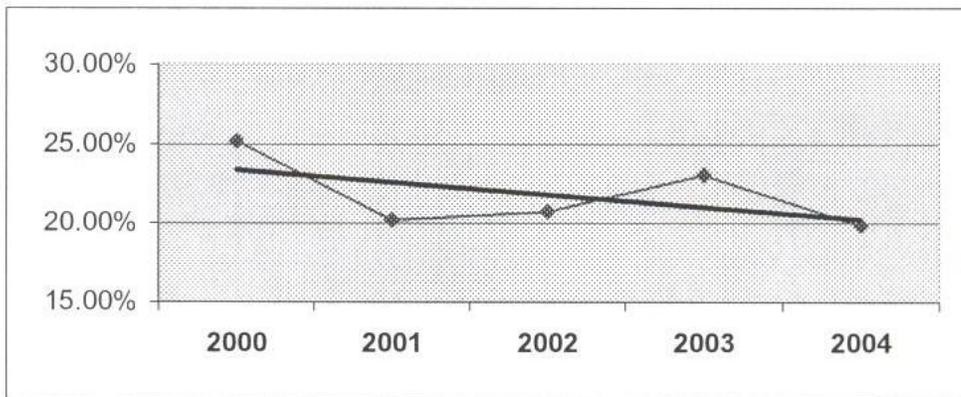
# Financial Solvency Ratio

**Formula:** 
$$\frac{\text{Unreserved Undesignated Fund Balance (UUFB)}}{\text{Total GF Revenue}}$$

**Financial Information and Computation:**

Year	UUFB	Total Revenue	Ratio
2000	\$421,365	\$1,674,533	25.16%
2001	\$324,919	\$1,608,927	20.19%
2002	\$339,526	\$1,638,503	20.72%
2003	\$416,688	\$1,808,851	23.04%
2004	\$345,973	\$1,743,727	19.84%

leacar      P2L54      P5L85



**Purpose:** Measures the District's Fund Equity position

**Trend:** Down

**Target:** Short-term greater than zero  
Long-term over 5 percent

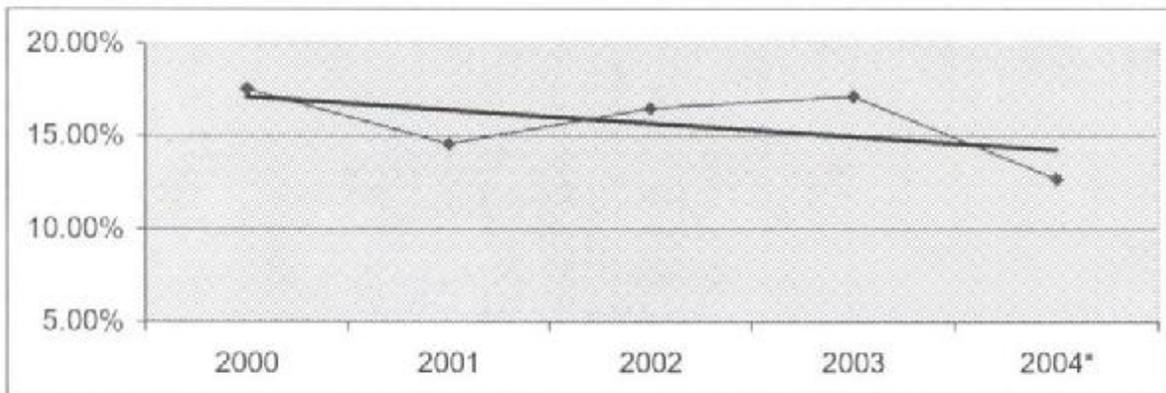
**Need/Concern:** Although the district is well above the 5% long-term target, the downward trend is a concern.

# Unspent Balance Ratio

**Formula:** 
$$\frac{\text{Unspent Spending Authority}}{\text{Maximum Budget Authority}}$$

## Financial Information and Computation:

Year	Maximum Authorized	Regular Unspent Bal.	Unreserved Unspent Bal.	Regular UB Ratio	Unreserv. UB Ratio
2000	\$2,104,905	\$374,585	\$369,196	17.80%	17.54%
2001	\$2,011,652	\$322,895	\$293,051	16.05%	14.57%
2002	\$1,979,072	\$346,800	\$325,527	17.52%	16.45%
2003	\$2,102,328	\$379,118	\$359,283	18.03%	17.09%
2004*	\$2,105,062	\$282,891	\$266,429	13.44%	12.66%



\*Estimated

**Purpose:** Measures the District's unbudgeted spending reserves

**Trend:** Down

**Target:** Unreserved unspent for short-term at 5-10 percent  
Long-term 5 percent above accrued payroll liabilities

**Need/Concern:** An adequate level of budget reserves are important so the District can respond to emergencies. Conventional wisdom, when engaged in construction projects, suggests a minimum of 5% of the total project for contingency expenditures. The Operating Fund is no different.

**Corrective Action:** Spend less than allowed each budget year.

# Revenue & Expenditures Change Ratio

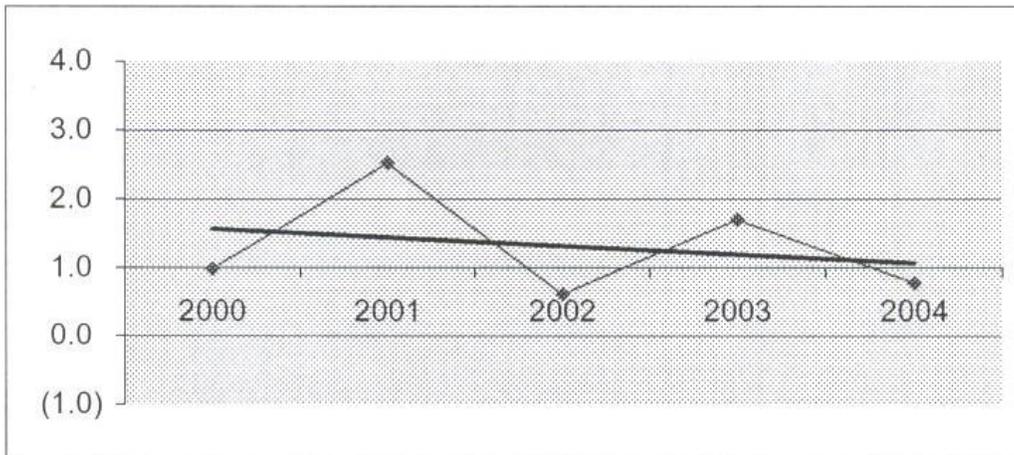
Formula:

$$\frac{\text{Current Year Revenue} - \text{Prior Year Revenue}}{\text{Current Year Expenditures} - \text{Prior Year Expenditures}}$$

Financial Information and Computation:

Year		Revenue	Expenditures	Ratio	
				Rev	Exp
2000		\$1,674,533	\$1,707,027	1.0	1.0
2001		\$1,608,927	\$1,680,918	2.5	1.0
2002		\$1,638,503	\$1,632,467	0.6	1.0
2003		\$1,808,851	\$1,733,127	1.7	1.0
2004		\$1,743,727	\$1,817,815	0.8	1.0

leacar      P5L85      P6L34



**Purpose:**

Measures trends

**Trend:**

Generally down

**Target:**

Revenue ratio greater than or equal to expenditure ratio

**Need/Concern:**

Cause for concern exists when revenue change is less than the expenditure change from one fiscal year to the next. Long-term this has the effect of eroding the district's fund balance position.

**Corrective Action:**

Spend less than revenue received in the year.

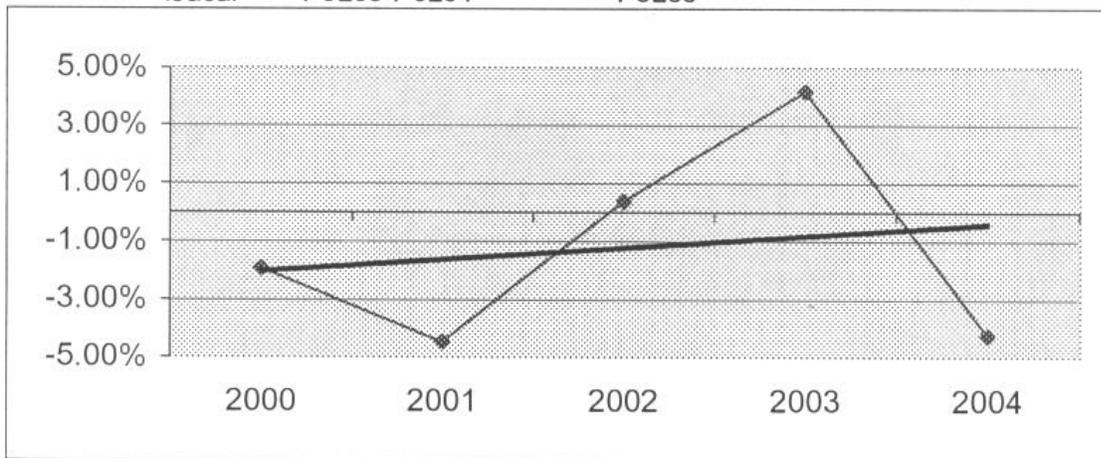
# Revenue (Deficit) Margin Ratio

Formula: 
$$\frac{\text{Revenue} - \text{Expenditures (Net Revenue)}}{\text{Total Revenue}}$$

## Financial Information and Computation:

Year	Net revenue (Expenditures)	Total Revenue	Ratio	Year
2000	(\$32,494)	\$1,674,533	-1.94%	2000
2001	(\$71,991)	\$1,608,927	-4.47%	2001
2002	\$6,036	\$1,638,503	0.37%	2002
2003	\$75,724	\$1,808,851	4.19%	2003
2004	(\$74,088)	\$1,743,727	-4.25%	2004

leacar P5L85-P6L34 P5L85



- Purpose:** Measures operating results
- Trend:** Generally down
- Target:** Greater than zero
- Need/Concern:** Full funding needed for budget revenue resources.
- Corrective Action:** Increase revenue sources or reduce expenditures

# Contribution Ratio

**Formula:** 
$$\frac{\text{Line Source Revenue}}{\text{Total Revenue}}$$

**Financial Information and Computation:**

	FY 2003	
Line	Amount	Ratio
Source		
Local	\$1,065,758	58.9%
State	\$670,145	37.0%
Federal	\$72,948	4.0%
Other	\$0	0.0%
Total	\$1,808,851	100.0%

	FY 2004	
Line	Amount	Ratio
Source		
Local	\$983,896	56.4%
State	\$682,073	39.1%
Federal	\$77,758	4.5%
Other	\$0	0.0%
Total	\$1,743,727	100.0%

leacar  
P5L39  
P5L54  
P5L78  
P5L84

Year	Property Tax/ Income Surtax	Other Local	State	Federal	
2000	38.6%	6.6%	51.1%	3.7%	100.0%
2001	44.9%	7.0%	45.7%	2.4%	100.0%
2002	48.5%	5.4%	41.4%	4.7%	100.0%
2003	50.3%	8.6%	37.1%	4.0%	100.0%
2004	50.6%	5.8%	39.1%	4.5%	100.0%

**Purpose:** Measures local taxation effort

**Trend:** More revenue has been coming from local taxes as state funding has dwindled.

**Target:** This is controlled by the state legislature.

**Need/Concern:** As a district's property tax wealth grows the school aid formula shifts financial responsibility from the state to the local district. This can be seen in the table above.

**Corrective Action:** NA

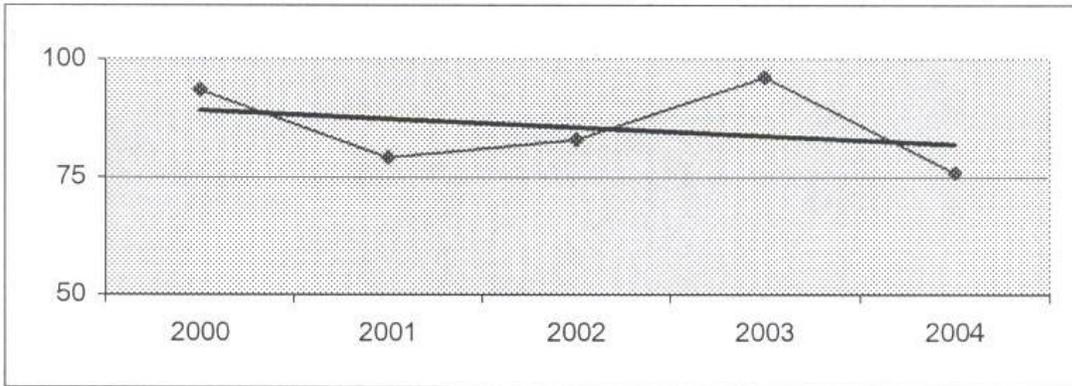
# Day's Net Cash Ratio

**Formula:** 
$$\frac{\text{Cash \& Investments}}{\text{Average Daily Cash Expenditures}}$$

**Financial Information and Computation:**

Year	Cash & Investments	Total Expenditures	Daily (365) Expenditures	Ratio In Days
2000	\$437,001	\$1,707,027	\$4,677	93
2001	\$364,540	\$1,680,918	\$4,605	79
2002	\$370,771	\$1,632,467	\$4,473	83
2003	\$456,414	\$1,733,127	\$4,748	96
2004	\$377,970	\$1,817,815	\$4,980	76

leacar-P2L13      leacar-P6L34



- Purpose:** Measures short-term solvency and the ability to pay expenditures without receiving additional revenue.
- Trend:** Down
- Target:** 90 days
- Need/Concern:** If the downward trend continues, eventually the district will need to borrow funds to be able to cover expenses during times of minimal cashflow in.
- Corrective Action:** Levy for cash reserve, increase income and/or decrease expenses.

# Assets to Liabilities Ratio

Formula:

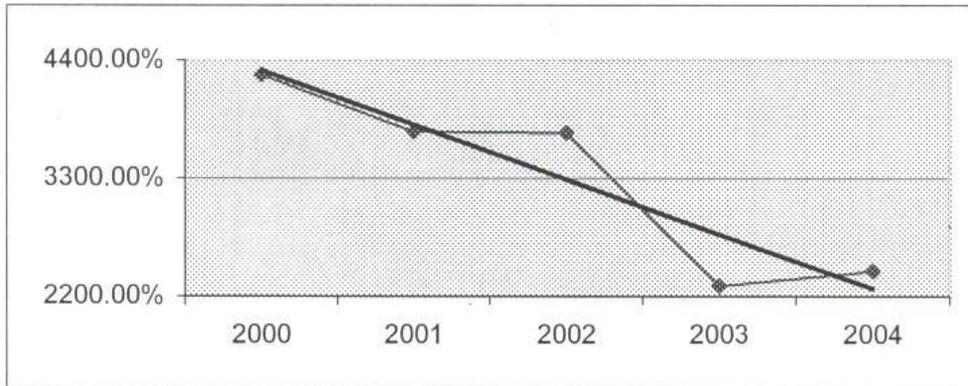
$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Financial Information and Computation:

Year	Assets	Liabilities	Ratio
2000	\$437,001	\$10,247	4264.67%
2001	\$364,540	\$9,777	3728.55%
2002	\$370,771	\$9,972	3718.12%
2003	\$456,414	\$19,891	2294.58%
2004	\$377,970	\$15,535	2433.02%

leacar-P2L13

leacar-P2L36



**Purpose:**

Measures short - term solvency

**Trend:**

Down

**Target:**

Greater than 100%

**Need/Concern:**

When the assets/liabilities ratio is below 100% the district does not have the ability to pay off all current liabilities. Outside financial companies use this as a measure of financial health. Should the district seek a bond issue in the future this ratio needs to be greater than 100% to obtain the best bond rating possible.

**Corrective Action:**

Although the district is in excellent condition in terms of short-term solvency, the downward trend indicates the reserves are shrinking. Every effort will be made to slow this trend by increasing revenue and/or decreasing expenditures.

## **BASIC FINANCIAL STATEMENTS**

**TERRIL COMMUNITY SCHOOL DISTRICT**

STATEMENT OF NET ASSETS  
JUNE 30, 2004

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents:			
Other .....	\$ 593,760	\$ 444	\$ 594,204
Receivables:			
Property Tax:			
Delinquent.....	15,596	-0-	15,596
Succeeding Year.....	952,300	-0-	952,300
Accounts .....	389	-0-	389
Due from Other Governments .....	91,700	-0-	91,700
Inventories.....	-0-	4,194	4,194
Capital Assets, Net of Accumulated Depreciation .....	<u>1,256,576</u>	<u>1,637</u>	<u>1,258,213</u>
TOTAL ASSETS	<u>\$2,910,321</u>	<u>\$ 6,275</u>	<u>\$2,916,596</u>
<b><u>LIABILITIES</u></b>			
Accounts Payable .....	\$ 16,344	\$ 427	\$ 16,771
Deferred Revenue – Succeeding Year Property Tax.....	952,300	-0-	952,300
Long-Term Liabilities:			
Portion Due Within One Year:			
Early Retirements .....	51,054	-0-	51,054
Compensated Absences.....	4,917	-0-	4,917
Portion Due After One Year:			
Early Retirements .....	<u>111,492</u>	<u>-0-</u>	<u>111,492</u>
TOTAL LIABILITIES	<u>\$1,136,107</u>	<u>\$ 427</u>	<u>\$1,136,534</u>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, Net of Related Debt .....	\$1,256,576	\$ 1,637	\$1,258,213
Restricted for:			
Management Levy .....	43,170	-0-	43,170
Physical Plant and Equipment Levy.....	195,744	-0-	195,744
Other Special Revenue Purposes .....	7,082	-0-	7,082
Unrestricted.....	<u>271,642</u>	<u>4,211</u>	<u>275,853</u>
TOTAL NET ASSETS	<u>\$1,774,214</u>	<u>\$ 5,848</u>	<u>\$1,780,062</u>

See notes to financial statements.

**TERRIL COMMUNITY SCHOOL DISTRICT**

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2004

	PROGRAM REVENUES		CAPITAL GRANTS, CONTRIBUTIONS & RESTRICTED INTEREST		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	OPERATING GRANTS, CONTRIBUTIONS & RESTRICTED INTEREST	CHARGES FOR SERVICE	OPERATING GRANTS, CONTRIBUTIONS & RESTRICTED INTEREST	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL	
<b>Functions / Programs:</b>							
Governmental Activities:							
Instruction:							
Regular Instruction.....	\$ 995,015	\$ 86,347	\$ 310,782	\$ (597,886)	\$ -0-	\$ (597,886)	\$ (597,886)
Special Instruction .....	250,747	-0-	-0-	(250,747)	-0-	(250,747)	(250,747)
Other Instruction .....	166,436	-0-	-0-	(166,436)	-0-	(166,436)	(166,436)
	<u>\$ 1,412,198</u>	<u>\$ 86,347</u>	<u>\$ 310,782</u>	<u>\$ (1,015,069)</u>	<u>\$ -0-</u>	<u>\$ (1,015,069)</u>	<u>\$ (1,015,069)</u>
Support Services:							
Student Services.....	\$ 15,119	-0-	-0-	(15,119)	-0-	(15,119)	(15,119)
Instructional Staff Services .....	29,658	-0-	-0-	(29,658)	-0-	(29,658)	(29,658)
Administration Services .....	182,554	-0-	-0-	(182,554)	-0-	(182,554)	(182,554)
Operation & Maintenance of Plant Services .....	136,567	-0-	-0-	(136,567)	-0-	(136,567)	(136,567)
Transportation Services.....	128,703	-0-	-0-	(128,703)	-0-	(128,703)	(128,703)
	<u>\$ 492,601</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (492,601)</u>	<u>\$ -0-</u>	<u>\$ (492,601)</u>	<u>\$ (492,601)</u>
Non-Instructional Programs .....	\$ 16,440	-0-	-0-	(16,440)	-0-	(16,440)	(16,440)
Other Expenditures:							
Facilities Acquisition .....	\$ 5,203	-0-	-0-	(5,203)	-0-	(5,203)	(5,203)
Long-Term Debt Interest.....	11,440	-0-	-0-	(11,440)	-0-	(11,440)	(11,440)
AEA Flowthrough .....	61,830	-0-	61,830	-0-	-0-	-0-	-0-
	<u>\$ 78,473</u>	<u>\$ -0-</u>	<u>\$ 61,830</u>	<u>\$ (16,643)</u>	<u>\$ -0-</u>	<u>\$ (16,643)</u>	<u>\$ (16,643)</u>
Total Governmental Activities	\$ 1,999,712	\$ 86,347	\$ 372,612	\$ (1,540,753)	-0-	\$ (1,540,753)	\$ (1,540,753)
Business Type Activities:							
Non-Instructional Programs:							
Food Service Operations .....	\$ 84,514	46,189	32,770	-0-	(5,555)	(5,555)	(5,555)
	<u>\$ 2,084,226</u>	<u>\$ 132,536</u>	<u>\$ 405,382</u>	<u>\$ (1,540,753)</u>	<u>\$ (5,555)</u>	<u>\$ (1,546,308)</u>	<u>\$ (1,546,308)</u>
<b>TOTAL</b>							
<b>General Revenue:</b>							
Property Tax Levied For:							
General Purpose .....	\$ 938,633						\$ 938,633
Capital Outlay .....	71,821						71,821
Local Option Sales and Service Tax .....	169,394						169,394
Unrestricted State Grants .....	447,628						447,628
Unrestricted Investment Earnings .....	17,185						17,185
Other.....	2,989						2,989
	<u>\$ 1,647,650</u>						<u>\$ 1,647,650</u>
<b>TOTAL GENERAL REVENUES</b>							
Change in Net Assets	\$ 106,897				(5,555)		\$ 101,342
Net Assets – Beginning of Year, as Restated	1,667,317				11,403		1,678,720
Net Assets – End of Year	<u>\$ 1,774,214</u>				<u>5,848</u>		<u>\$ 1,780,062</u>

See notes to financial statements.

## TERRIL COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2004

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	NONMAJOR SPECIAL REVENUE	TOTAL
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents:					
Other.....	\$ 328,303	\$ -0-	\$ 41,041	\$ 224,416	\$ 593,760
Receivables:					
Property Tax:					
Delinquent .....	13,476	-0-	-0-	2,120	15,596
Succeeding Year .....	824,000	-0-		128,300	952,300
Accounts .....	389	-0-	-0-	-0-	389
Due from Other Governments .....	<u>35,802</u>	<u>-0-</u>	<u>35,629</u>	<u>20,269</u>	<u>91,700</u>
TOTAL ASSETS	<u>\$ 1,201,970</u>	<u>\$ -0-</u>	<u>\$ 76,670</u>	<u>\$ 375,105</u>	<u>\$ 1,653,745</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
Liabilities:					
Accounts Payable.....	\$ 15,535	\$ -0-	\$ -0-	\$ 809	\$ 16,344
Deferred Revenue:					
Succeeding Year Property Tax..	<u>824,000</u>	<u>-0-</u>	<u>-0-</u>	<u>128,300</u>	<u>952,300</u>
TOTAL LIABILITIES	\$ 839,535	\$ -0-	\$ -0-	\$ 129,109	\$ 968,644
Fund Balances:					
Unreserved.....	<u>362,435</u>	<u>-0-</u>	<u>76,670</u>	<u>245,996</u>	<u>685,101</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,201,970</u>	<u>\$ -0-</u>	<u>\$ 76,670</u>	<u>\$ 375,105</u>	<u>\$ 1,653,745</u>

See notes to financial statements.

**TERRIL COMMUNITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2004

Total Fund Balances of Governmental Funds (Page 8) ..... \$ 685,101

Amounts reported for governmental activities in the  
Statement of Net Assets are different because:

Capital Assets used in governmental activities are not  
financial resources and, therefore, are not reported as  
assets in the governmental funds ..... 1,256,576

Long-term liabilities, including bonds and notes payable  
and compensated absences, are not due and payable in  
the current period and, therefore, are not reported in the  
funds ..... (167,463)

Net Assets of Governmental Activities (Page 7) ..... \$ 1,774,214

**TERRIL COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2004

	<b>GENERAL</b>	<b>DEBT SERVICE</b>	<b>CAPITAL PROJECTS</b>	<b>NONMAJOR SPECIAL REVENUE</b>	<b>TOTAL</b>
<b>Revenues:</b>					
<b>Local Sources:</b>					
Local Tax .....	\$ 882,075	\$ -0-	\$ 169,394	\$ 128,379	\$ 1,179,848
Tuition .....	52,315	-0-	-0-	-0-	52,315
Other .....	49,506	-0-	3,395	37,925	90,826
Intermediate Sources .....	-0-	-0-	-0-	413	413
State Sources .....	682,073	-0-	-0-	119	682,192
Federal Sources .....	77,758	-0-	-0-	20,268	98,026
<b>TOTAL REVENUES</b>	<b>\$ 1,743,727</b>	<b>\$ -0-</b>	<b>\$ 172,789</b>	<b>\$ 187,104</b>	<b>\$ 2,103,620</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular Instruction .....	\$ 888,929	\$ -0-	\$ -0-	\$ 68,365	\$ 957,294
Special Instruction .....	250,747	-0-	-0-	-0-	250,747
Other Instruction .....	166,436	-0-	-0-	-0-	166,436
	<u>\$ 1,306,112</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 68,365</u>	<u>\$ 1,374,477</u>
<b>Support Services:</b>					
Student Services .....	\$ 15,046	\$ -0-	\$ -0-	\$ 73	\$ 15,119
Instructional Staff Services ..	29,658	-0-	-0-	-0-	29,658
Administrative Services .....	177,158	-0-	-0-	5,396	182,554
Operation & Maintenance of Plant Services .....	99,196	-0-	-0-	18,971	118,167
Transportation Services .....	113,681	-0-	-0-	15,022	128,703
	<u>\$ 434,739</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 39,462</u>	<u>\$ 474,201</u>
Non-Instructional Programs ..	<u>\$ 15,134</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,306</u>	<u>\$ 16,440</u>
<b>Other Expenditures:</b>					
Facilities Acquisition .....	\$ -0-	\$ -0-	\$ 97,292	\$ 31,690	\$ 128,982
<b>Long-Term Debt:</b>					
Principal .....	-0-	275,000	-0-	-0-	275,000
Interest and Fiscal Charges ..	-0-	11,440	-0-	-0-	11,440
AEA Flowthrough .....	61,830	-0-	-0-	-0-	61,830
	<u>\$ 61,830</u>	<u>\$ 286,440</u>	<u>\$ 97,292</u>	<u>\$ 31,690</u>	<u>\$ 477,252</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,817,815</b>	<b>\$ 286,440</b>	<b>\$ 97,292</b>	<b>\$ 140,823</b>	<b>\$ 2,342,370</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (74,088)	\$ (286,440)	\$ 75,497	\$ 46,281	\$ (238,750)
<b>Other Financing Sources (Used):</b>					
Operating Transfers In .....	\$ -0-	\$ 286,440	\$ -0-	\$ -0-	\$ 286,440
Operating Transfers Out .....	-0-	-0-	(286,440)	-0-	(286,440)
Sale of Property .....	-0-	-0-	-0-	2,989	2,989
<b>TOTAL OTHER FINAN- CING SOURCES (USES)</b>	<b>\$ -0-</b>	<b>\$ 286,440</b>	<b>\$ (286,440)</b>	<b>\$ 2,989</b>	<b>\$ 2,989</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (74,088)</b>	<b>\$ -0-</b>	<b>\$ (210,943)</b>	<b>\$ 49,270</b>	<b>\$ (235,761)</b>
<b>FUND BALANCES – BEGINNING OF YEAR, as Restated (Note 12)</b>	<b>436,523</b>	<b>-0-</b>	<b>287,613</b>	<b>196,726</b>	<b>920,862</b>
<b>FUND BALANCES – END OF YEAR</b>	<b>\$ 362,435</b>	<b>\$ -0-</b>	<b>\$ 76,670</b>	<b>\$ 245,996</b>	<b>\$ 685,101</b>

See notes to financial statements.

**TERRIL COMMUNITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2004**

Net Change in Fund Balances - Total Governmental Funds (Page 10) ..... \$ (235,761)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for Capital Assets .....	\$ 123,779	
Depreciation Expense .....	<u>(56,121)</u>	67,658

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets

Repaid .....		<u>275,000</u>
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Change in Net Assets of Governmental Activities (Page 7) ..... \$ 106,897

**TERRIL COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUND**

JUNE 30, 2004

	<u>School Nutrition</u>
<b><u>ASSETS</u></b>	
Cash and Cash Equivalents.....	\$ 444
Inventories.....	4,194
Capital Assets, Net of Accumulated Depreciation .....	<u>1,637</u>
TOTAL ASSETS	<u>\$ 6,275</u>
<b><u>LIABILITIES</u></b>	
Accounts Payable .....	<u>\$ 427</u>
<b><u>NET ASSETS</u></b>	
Invested in Capital Assets, Net of Related Debt.....	\$ 1,637
Unrestricted.....	<u>4,211</u>
TOTAL NET ASSETS	<u>\$ 5,848</u>

See notes to financial statements.

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

	<u>School Nutrition</u>
Operating Revenues:	
Local Sources:	
Charges for Service .....	\$ 46,189
Operating Expenses:	
Non-Instructional Programs:	
Food Service Operations:	
Salaries and Benefits .....	\$ 29,800
Benefits .....	16,476
Purchased Services .....	1,191
Supplies .....	36,561
Depreciation .....	<u>486</u>
TOTAL OPERATING EXPENSES	\$ 84,514
OPERATING LOSS	\$ (38,325)
Non-Operating Revenues:	
State Sources .....	\$ 957
Federal Sources .....	31,680
Interest Income .....	<u>133</u>
TOTAL NON-OPERATING REVENUES	\$ 32,770
CHANGE IN NET ASSETS	\$ (5,555)
NET ASSETS – BEGINNING OF YEAR	<u>11,403</u>
NET ASSETS – END OF YEAR	<u>\$ 5,848</u>

See notes to financial statements.

**TERRIL COMMUNITY SCHOOL DISTRICT**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND

YEAR ENDED JUNE 30, 2004

	<u>School Nutrition</u>
Cash Flows from Operating Activities:	
Cash Received from Sale of Lunches and Breakfasts .....	\$ 46,189
Cash Paid to Employees for Services .....	(46,359)
Cash Paid to Suppliers for Goods or Services .....	(29,329)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (29,499)</u>
Cash Flows from Non-Capital Financing Activities:	
State Grants Received.....	\$ 957
Federal Grants Received.....	<u>24,154</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>\$ 25,111</u>
Cash Flows from Investing Activities:	
Interest on Investments .....	<u>\$ 133</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (4,255)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,699</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 444</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss .....	\$ (38,325)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Commodities Used .....	7,526
Depreciation.....	486
Decrease in Inventories .....	941
Decrease in Accounts Payable.....	(44)
Decrease in Salaries and Benefits Payable.....	<u>(83)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (29,499)</u>

Non-Cash Investing, Capital and Financing Activities:

During the year ended June 30, 2004, the District received \$7,526 of federal commodities.

See notes to financial statements.

**TERRIL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**JUNE 30, 2004**

	<b>FUNDS</b>	<b>AGENCY FUNDS</b>	<b>TOTAL</b>
<b><u>ASSETS</u></b>			
Cash and Pooled Investments .....	\$ 825	\$ -0-	\$ 825
Due from Other Governments .....	<u>-0-</u>	<u>39,747</u>	<u>39,747</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 825</u></b>	<b><u>\$ 39,747</u></b>	<b><u>\$ 40,572</u></b>
 <b><u>LIABILITIES</u></b>			
Liabilities:			
Cash Deficit.....	<u>\$ -0-</u>	<u>\$ 39,747</u>	<u>\$ 39,747</u>
 <b><u>NET ASSETS</u></b>			
Unreserved .....	<u>\$ 825</u>	<u>\$ -0-</u>	<u>\$ 825</u>

See notes to financial statements.

**TERRIL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**YEAR ENDED JUNE 30, 2004**

	125	DB KIDS	PLAY- GROUND	TOTAL
Revenues:				
Local Sources:				
Donations and Contributions .....	\$ 11,855	\$ -0-	\$ -0-	\$ 11,855
Expenditures:				
Non-Instructional.....	\$ 11,855	\$ -0-	\$ -0-	\$ 11,855
Other Expenditures:				
Facilities Acquisition & Construction:				
Supplies .....	-0-	-0-	317	317
	<u>\$ 11,855</u>	<u>\$ -0-</u>	<u>\$ 317</u>	<u>\$ 12,172</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	\$ -0-	\$ -0-	\$ (317)	\$ (317)
BALANCE – BEGINNING OF YEAR	<u>-0-</u>	<u>825</u>	<u>317</u>	<u>1,142</u>
BALANCE – END OF YEAR	<u><u>\$ -0-</u></u>	<u><u>\$ 825</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 825</u></u>

See notes to financial statements.

# TERRIL COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Terril Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Terril, Iowa, and the predominate agricultural territory in the surrounding 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, Terril 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. Terril Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

#### 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 attributable 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 imposed by management which 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.

# TERRIL COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2004

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED:

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District 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 in specific ways.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

#### 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 the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

# TERRIL COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2004

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

#### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – CONTINUED:

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

Under 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 applied 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 Standard 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 non-operating 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 non-operating revenues and expenses.

The District maintains its financial records of 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 combined balance sheet:

Cash, Pooled Investments, and Cash Equivalents - The cash balances of most District funds are pooled and invested.

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

Property Tax Receivable - Property tax in governmental fund types 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 taxes receivable represents unpaid taxes from 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 the fund financial statements and will not be recognized as revenue until the year for which it is levied.

# TERRIL COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2004

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

D. ASSETS, LIABILITIES AND FUND EQUITY – CONTINUED:

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

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

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

Capital Assets – Capital assets, which include property, 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 .....	\$ 2,000
Buildings .....	10,000
Improvements Other Than Buildings .....	10,000
Furniture and Equipment:	
School Nutrition Fund Equipment .....	500
Other Furniture and Equipment .....	1,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings .....	50 years
Improvements Other Than Buildings .....	20 years
Furniture and Equipment .....	5 years

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 represents 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 succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

**TERRIL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

D. ASSETS, LIABILITIES AND FUND EQUITY – CONTINUED:

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

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported 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. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the instruction and support services functional areas exceeded the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

**NOTE 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.

**NOTE 3 – DUE FROM AND DUE TO OTHER FUNDS:**

None.

**NOTE 4 – INTERFUND TRANSFERS:**

None.

**NOTE 5 - IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP):**

None.

**TERRIL COMMUNITY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

JUNE 30, 2004

**NOTE 6 – CAPITAL ASSETS:**

Capital Assets activity for the year ended June 30, 2004, was as follows:

	<b>BALANCE BEGINNING OF YEAR, as Restated (Note 12)</b>	<b>INCREASES</b>	<b>DECREASES</b>	<b>BALANCE END OF YEAR</b>
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land .....	\$ 198,664	\$ -0-	\$ -0-	\$ 198,664
Capital Assets Being Depreciated:				
Buildings .....	\$ 626,379	\$ 123,779	\$ 13,375	\$ 736,783
Furniture and Equipment.....	1,031,799	-0-	382,970	648,829
Total Capital Assets Being Depreciated	\$ 1,658,178	\$ 123,779	\$ 396,345	\$ 1,385,612
LESS - Accumulated Depreciation For:				
Buildings .....	\$ 206,676	\$ 18,400	\$ 13,375	\$ 211,701
Furniture and Equipment.....	78,278	37,721	-0-	115,999
Total Accumulated Depreciation	\$ 284,954	\$ 56,121	\$ 13,375	\$ 327,700
Total Capital Assets Being Depreciated, Net	\$ 1,373,224	\$ 67,658	\$ 382,970	\$ 1,057,912
Governmental Activities Capital Assets, Net	\$ 1,571,888	\$ 67,658	\$ 382,970	\$ 1,256,576
	<b>BALANCE BEGINNING OF YEAR</b>	<b>INCREASES</b>	<b>DECREASES</b>	<b>BALANCE END OF YEAR</b>
<b>Business Type Activities:</b>				
Furniture and Equipment.....	\$ 50,113	\$ -0-	\$ -0-	\$ 50,113
LESS – Accumulated Depreciation .....	47,990	486	-0-	48,476
Business Type Activities Capital Assets, Net	\$ 2,123	\$ (486)	\$ -0-	\$ 1,637

Depreciation expense was charged to the following functions:

<b>Governmental Activities:</b>	
Instruction:	
Regular .....	\$ 37,721
Support Services:	
Operation and Maintenance of Plant.....	18,400
Total Depreciation Expense – Governmental Activities	\$ 56,121
<b>Business Type Activities:</b>	
Food Service Operations.....	\$ 486

**NOTE 7 – LONG-TERM LIABILITIES:**

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

	<b>BALANCE BEGINNING OF YEAR</b>	<b>ADDITIONS</b>	<b>REDUCTIONS</b>	<b>BALANCE END OF YEAR</b>	<b>DUE WITHIN ONE YEAR</b>
Revenue Bonds.....	\$ 275,000	\$ -0-	\$ 275,000	\$ -0-	\$ -0-
Early Retirement .....	87,188	97,424	22,066	162,546	51,054
Compensated Absences .....	3,628	4,917	3,628	4,917	4,917
TOTAL	\$ 365,816	\$ 102,341	\$ 300,694	\$ 167,463	\$ 55,971

## TERRIL COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2004

#### **NOTE 7 – LONG-TERM LIABILITIES – (CONTINUED):**

##### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentive for each employee is based on the years of service, salary, and position in the District. Early retirement expenditures for the year ended June 30, 2004, totaled \$22,066.

#### **NOTE 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 \$48,689, \$53,763, and \$53,789 respectively, equal to the required contributions for each year.

#### **NOTE 9 - RISK MANAGEMENT:**

Terril 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.

#### **NOTE 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 \$61,830 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.

#### **NOTE 11 – CONSTRUCTION COMMITMENT:**

The District has entered into a contract totaling \$219,672 for a remodeling project. As of June 30, 2004, costs of \$20,763 had been incurred against the contract. The balance of \$198,909 remaining at June 30, 2004, will be paid as work on the project progresses.

**TERRIL COMMUNITY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

JUNE 30, 2004

**NOTE 12 – ACCOUNTING CHANGE AND RESTATEMENTS:**

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

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ending June 30, 2004. The statements create new basic financial statements 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 program between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003, caused by the conversion to the accrual basis of accounting.

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

	FUND				
	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	NONMAJOR SPECIAL REVENUE	TOTAL
Net Assets July 1, 2003, as Previously Reported .....	\$ 436,523	\$ -0-	\$ 287,613	\$ 196,726	\$ 920,862
GASB 34 Adjustments:					
Capital assets, net of accumulated depreciation .....					1,188,918
Long-Term Liabilities:					
Bonds and Notes .....				\$ (275,000)	
Early Retirement .....				(162,546)	
Compensated Absences .....				(4,917)	(442,463)
 Net Assets – July 1, 2003, as Restated					 <u>\$ 1,667,317</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**TERRIL 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 FUNDS ACTUAL	PROPRIETARY FUND ACTUAL	TOTAL ACTUAL	BUDGETED AMOUNTS FINAL	FINAL TO ACTUAL VARIANCE
<b>RECEIPTS:</b>					
Local Sources .....	\$ 1,341,486	\$ 46,322	\$ 1,387,808	\$ 1,384,285	\$ 3,523
Intermediate Sources .....	413	-0-	413	-0-	413
State Sources .....	682,192	957	683,149	720,789	(37,640)
Federal Sources .....	<u>98,026</u>	<u>24,154</u>	<u>122,180</u>	<u>130,495</u>	<u>(8,315)</u>
<b>TOTAL RECEIPTS</b>	<u>\$ 2,122,117</u>	<u>\$ 71,433</u>	<u>\$ 2,193,550</u>	<u>\$ 2,235,569</u>	<u>\$ (42,019)</u>
<b>DISBURSEMENTS:</b>					
Instruction .....	\$ 1,378,240	\$ -0-	\$ 1,378,240	\$ 1,512,125	\$ 133,885
Support Services .....	474,201	-0-	474,201	580,460	106,259
Non-Instructional Programs .....	16,440	75,688	92,128	113,500	21,372
Other Expenditures .....	<u>477,252</u>	<u>-0-</u>	<u>477,252</u>	<u>523,922</u>	<u>46,670</u>
<b>TOTAL DISBURSEMENTS</b>	<u>\$ 2,346,133</u>	<u>\$ 75,688</u>	<u>\$ 2,421,821</u>	<u>\$ 2,730,007</u>	<u>\$ 308,186</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>\$ (224,016)</u>	<u>\$ (4,255)</u>	<u>\$ (228,271)</u>	<u>\$ (494,438)</u>	<u>\$ 266,167</u>
<b>OTHER FINANCING SOURCES, Net</b>	<u>2,989</u>	<u>-0-</u>	<u>2,989</u>	<u>-0-</u>	<u>2,989</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	\$ (221,027)	\$ (4,255)	\$ (225,282)	\$ (494,438)	\$ 269,156
<b>BALANCES - BEGINNING OF YEAR</b>	<u>814,787</u>	<u>4,699</u>	<u>819,486</u>	<u>829,586</u>	<u>(10,100)</u>
<b>BALANCES - END OF YEAR</b>	<u>\$ 593,760</u>	<u>\$ 444</u>	<u>\$ 594,204</u>	<u>\$ 335,148</u>	<u>\$ 259,056</u>

See accompanying independent auditor's report.

**TERRIL COMMUNITY SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE – BUDGET TO GAAP RECONCILIATION  
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2004

	<b>-----Governmental Funds-----</b>		
	<b>Cash Basis</b>	<b>Accrual Adjust- ments</b>	<b>Modified Accrual Basis</b>
Revenues .....	\$ 2,122,117	\$ (18,497)	\$ 2,103,620
Expenditures .....	<u>2,346,133</u>	<u>(3,763)</u>	<u>2,342,370</u>
Net .....	\$ (224,016)	\$ (14,734)	\$ (238,750)
Other Financing Sources, Net .....	2,989	-0-	2,989
 BEGINNING FUND BALANCES	 <u>814,787</u>	 <u>106,075</u>	 <u>920,862</u>
ENDING FUND BALANCES	<u>\$ 593,760</u>	<u>\$ 91,341</u>	<u>\$ 685,101</u>

	<b>-----Proprietary Fund Enterprise-----</b>		
	<b>Cash Basis</b>	<b>Accrual Adjust- ments</b>	<b>Accrual Basis</b>
Revenues .....	\$ 71,433	\$ 7,526	\$ 78,959
Expenditures .....	<u>75,688</u>	<u>8,826</u>	<u>84,514</u>
Net .....	\$ (4,255)	\$ (1,300)	\$ (5,555)
 BEGINNING NET ASSETS	 <u>4,699</u>	 <u>6,704</u>	 <u>11,403</u>
ENDING NET ASSETS	<u>\$ 444</u>	<u>\$ 5,404</u>	<u>\$ 5,848</u>

See accompanying independent auditor's report.

## **TERRIL 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 District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

## **OTHER SUPPLEMENTARY INFORMATION**

**TERRIL COMMUNITY SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR SPECIAL REVENUE FUNDS**

JUNE 30, 2004

	<b>MANAGE- MENT LEVY</b>	<b>STUDENT ACTIVITY</b>	<b>PHYSICAL PLANT AND EQUIPMENT LEVY</b>	<b>TOTAL</b>
<b><u>ASSETS</u></b>				
Cash and Pooled Investments.....	\$ 42,245	\$ 7,891	\$ 174,280	\$ 224,416
Receivables:				
Property Tax:				
Delinquent.....	925	-0-	1,195	2,120
Succeeding Year.....	56,500	-0-	71,800	128,300
Due from Other Governments .....	<u>-0-</u>	<u>-0-</u>	<u>20,269</u>	<u>20,269</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 99,670</u></b>	<b><u>\$ 7,891</u></b>	<b><u>\$ 267,544</u></b>	<b><u>\$ 375,105</u></b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>				
Liabilities:				
Accounts Payable .....	\$ -0-	\$ 809	\$ -0-	\$ 809
Deferred Revenue:				
Succeeding Year Property Tax .....	<u>56,500</u>	<u>-0-</u>	<u>71,800</u>	<u>128,300</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 56,500</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 71,800</u></b>	<b><u>\$ 129,109</u></b>
Fund Equity:				
Unreserved Fund Balances .....	<u>\$ 43,170</u>	<u>\$ 7,082</u>	<u>\$ 195,744</u>	<u>\$ 245,996</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 99,670</u></b>	<b><u>\$ 7,891</u></b>	<b><u>\$ 267,544</u></b>	<b><u>\$ 375,105</u></b>

See accompanying independent auditor's report.

**TERRIL COMMUNITY SCHOOL DISTRICT**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR SPECIAL REVENUE FUNDS**

YEAR ENDED JUNE 30, 2004

	MANAGE- MENT LEVY	STUDENT ACTIVITY	PHYSICAL PLANT AND EQUIPMENT LEVY	TOTAL
Revenues:				
Local Sources:				
Local Tax .....	\$ 56,558	\$ -0-	\$ 71,821	\$ 128,379
Other .....	637	34,032	3,256	37,925
Intermediate Sources.....	203	-0-	210	413
State Sources .....	32	-0-	87	119
Federal Sources.....	<u>-0-</u>	<u>-0-</u>	<u>20,268</u>	<u>20,268</u>
 TOTAL REVENUES	 <u>\$ 57,430</u>	 <u>\$ 34,032</u>	 <u>\$ 95,642</u>	 <u>\$ 187,104</u>
Expenditures:				
Current:				
Instruction:				
Regular Instruction.....	\$ 20,155	\$ 30,525	\$ 17,685	\$ 68,365
Support Services:				
Student Services.....	73	-0-	-0-	73
Administration Services .....	5,396	-0-	-0-	5,396
Operation & Maintenance of				
Plant Services.....	18,971	0-	-0-	18,971
Transportation Services.....	7,728	4,262	3,032	15,022
Non-Instructional Programs .....	1,306	-0-	-0-	1,306
Other Expenditures:				
Facilities Acquisition.....	<u>-0-</u>	<u>-0-</u>	<u>31,690</u>	<u>31,690</u>
 TOTAL EXPENDITURES	 <u>\$ 53,629</u>	 <u>\$ 34,787</u>	 <u>\$ 52,407</u>	 <u>\$ 140,823</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 3,801	\$ (755)	\$ 43,235	\$ 46,281
Other Financing Sources (Uses):				
Sale of Property .....	<u>-0-</u>	<u>-0-</u>	<u>2,989</u>	<u>2,989</u>
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expend- itures and Other Financing Uses .....	\$ 3,801	\$ (755)	\$ 46,224	\$ 49,270
FUND BALANCES – BEGINNING OF YEAR, as Restated	<u>39,369</u>	<u>7,837</u>	<u>149,520</u>	<u>196,726</u>
FUND BALANCES – END OF YEAR	<u>\$ 43,170</u>	<u>\$ 7,082</u>	<u>\$ 195,744</u>	<u>\$ 245,996</u>

See Accompanying Independent Auditor's Report.

## TERRIL COMMUNITY SCHOOL DISTRICT

### SCHEDULE OF CHANGES IN SPECIAL REVENUE FUNDS STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2004

ACCOUNT	BALANCE BEGINNING OF YEAR	REVENUES	EXPEND- ITURES	BALANCE END OF YEAR
Drama.....	\$ 443	\$ -0-	\$ -0-	\$ 443
Athletics.....	-0-	6,511	6,500	11
Boys Basketball.....	-0-	2,325	2,325	-0-
Uniforms Fund RSRJ.....	-0-	5,209	81	5,128
Baseball.....	-0-	-0-	73	(73)
Boys Track.....	-0-	960	1,079	(119)
Boys Wrestling.....	-0-	820	820	-0-
Girls Basketball.....	-0-	2,733	2,733	-0-
Girls Volleyball.....	-0-	1,227	1,227	-0-
Girls Softball.....	178	958	1,765	(629)
Girls Track.....	-0-	960	960	-0-
Yearbook.....	(486)	2,826	4,874	(2,534)
Music Fund Raiser.....	3,243	-0-	180	3,063
Student Council.....	218	218	415	21
National Honor Society.....	173	2,517	2,690	-0-
FFA.....	287	-0-	287	-0-
Class of 2001.....	77	-0-	77	-0-
Class of 2004.....	2,276	2,724	4,861	139
Class of 2005.....	1,321	2,776	2,938	1,159
Class of 2006.....	103	127	-0-	230
Class of 2007.....	-0-	106	-0-	106
Cheerleaders.....	4	135	2	137
Vestergaard.....	-0-	900	900	-0-
<b>TOTAL</b>	<b><u>\$ 7,837</u></b>	<b><u>\$ 34,032</u></b>	<b><u>\$ 34,787</u></b>	<b><u>\$ 7,082</u></b>

See accompanying independent auditor's report.

## TERRIL COMMUNITY SCHOOL DISTRICT

### SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES AGENCY ACCOUNTS

YEAR ENDED JUNE 30, 2004

<b>ASSETS</b>	<b>BALANCE BEGINNING OF YEAR</b>	<b>ADDITIONS</b>	<b>DEDUC- TIONS</b>	<b>BALANCE END OF YEAR</b>
Due from Other Governments .....	\$ <u>44,548</u>	\$ <u>-0-</u>	\$ <u>4,801</u>	\$ <u>39,747</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>44,548</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>4,801</u></b>	<b>\$ <u>39,747</u></b>
<b>LIABILITIES</b>				
Cash - Deficit .....	\$ <u>44,548</u>	\$ <u>70,437</u>	\$ <u>75,238</u>	\$ <u>39,747</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>44,548</u></b>	<b>\$ <u>70,437</u></b>	<b>\$ <u>75,238</u></b>	<b>\$ <u>39,747</u></b>

See accompanying independent auditor's report.

## TERRIL COMMUNITY SCHOOL DISTRICT

### SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION ALL GOVERNMENTAL FUNDS

YEARS ENDED JUNE 30,

	<b>MODIFIED ACCRUAL BASIS</b>	
	<b>2004</b>	<b>2003</b>
<b>Revenues:</b>		
<b>Local Sources:</b>		
Local Tax: .....	\$ 1,179,848	\$ 1,184,675
Tuition .....	52,315	80,404
Other .....	90,826	102,719
Intermediate Sources .....	413	-0-
State Sources .....	682,192	671,212
Federal Sources .....	<u>98,026</u>	<u>96,339</u>
TOTAL	<u>\$ 2,103,620</u>	<u>\$ 2,135,349</u>
<b>Expenditures:</b>		
<b>Instruction:</b>		
Regular Instruction .....	\$ 957,294	\$ 1,042,300
Special Instruction .....	250,747	230,422
Other Instruction .....	166,436	148,544
<b>Support Services:</b>		
Student Services .....	15,119	14,039
Instructional Staff Services .....	29,658	25,134
Administration Services .....	182,554	171,362
Operation & Maintenance of Plant Services .....	118,167	93,032
Transportation Services .....	128,703	97,045
Non-Instructional Programs .....	16,440	12,376
<b>Other Expenditures:</b>		
Facilities Acquisition .....	128,982	7,464
<b>Long-Term Debt:</b>		
Principal .....	275,000	-0-
Interest and Other Charges .....	11,440	12,650
AEA Flowthrough .....	<u>61,830</u>	<u>64,215</u>
TOTAL	<u>\$ 2,342,370</u>	<u>\$ 1,918,583</u>

See accompanying independent auditor's report.

**DAVID A. MASKE**  
**Certified Public Accountant**

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Spencer, IA 51301

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

To the Board of Education  
Terril Community School District  
Terril, Iowa

I have audited the financial statements of Terril Community School District, as of and for the year ended June 30, 2004, and have issued my report thereon dated December 9, 2004. I conducted my 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 the Terril Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance 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 my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Terril Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in 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. My 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, the reportable conditions described above, I believe item 04-I-A, is a material weakness. Prior year reportable conditions have all been resolved except for item 04-I-A and 04-I-B

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

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

December 9, 2004  
Spencer, Iowa

**DAVID A. MASKE**  
Certified Public Accountant

# TERRIL COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF FINDINGS YEAR ENDED JUNE 30, 2004

### PART I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

#### INSTANCES OF NON-COMPLIANCE:

No matters were reported.

#### REPORTABLE CONDITIONS:

04-I-A Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual is responsible for the reconciliation and recording of the District's financial records.

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

RESPONSE - We will continue our review our procedures and implement additional controls where possible.

CONCLUSION - Response accepted.

04-I-B Signature Stamp – During the year ended June 30, 2004, a signature stamp was used by the Board President for the signing of checks. The stamp was left in the possession of the District Secretary / Treasurer when not in use.

RECOMMENDATION – When not in use, the signature stamp should not be left with the Secretary / Treasurer.

RESPONSE - We have discontinued leaving the signature stamp with the Secretary / Treasurer.

CONCLUSION - Response accepted.

### 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 certified budget amounts.

04-II-C Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979, were noted.

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

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

## TERRIL COMMUNITY SCHOOL DISTRICT

### SCHEDULE OF FINDINGS YEAR ENDED JUNE 30, 2004

- 04-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 04-II-G Board Minutes - No transactions were found that I believe should have been approved in the Board minutes but were not.
- 04-II-H Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- 04-II-I Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policies were noted.
- 04-II-J Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and I noted no significant deficiencies in the amounts reported.
- 04-II-K Deficit Balances - Several student activity accounts had deficit balances at June 30, 2004.

RECOMMENDATION - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

RESPONSE - The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

CONCLUSION - Response accepted.