

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	15
Statement of Activities	B	16-17
Governmental Fund Financial Statements:		
Balance Sheet	C	18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	19
Statement of Revenues, Expenditures and Changes in Fund Balances	E	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	21
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	22
Statement of Revenues, Expenses, and Changes in Net Assets	H	23
Statement of Cash Flows	I	24
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	25
Statement of Changes in Fiduciary Net Assets	K	26
Notes to Financial Statements		27-35
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		37
Budget to GAAP Reconciliation		38
Notes to Required Supplementary Information - Budgetary Reporting		39
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	41
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	42
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	43
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	44
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		45-46
Schedule of Findings		47-48

Independent Auditor's Report

To the Board of Education of
Twin Rivers Community School District:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Twin Rivers 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 9 to the financial statements, during the year ended June 30, 2004, Twin Rivers 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 November 8, 2004, on our consideration of Twin Rivers 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 13 and 37 through 39 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 Twin Rivers 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

November 8, 2004

Twin Rivers Community School District

Management Discussion & Analysis

This section of the **Twin Rivers** Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2004. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section. Because the **Twin Rivers** Community School District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

Financial Highlights

- The **Twin Rivers** CSD Board of Directors approved a Property Tax decrease from \$**11.81** to \$**14.69** per \$1,000 taxable valuation creating an increase to tax payers in the amount of \$**40,000**.
- The State of Iowa imposed a **2.5%** reduction in State Foundation Aid, Instructional Support Programs, Educational Excellence Allocations, Teacher Compensation Allocations, and Iowa Early Intervention Allocations in November, which reduced state FY04 revenues by \$**21,000** in the General Fund.
- 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 a combination of reducing expenditures in technology; purchased services; equipment and supplies; and using a portion of fund balance.
- In spite of the reduction in revenues and the increase in salaries, benefits, utilities and special education costs the District's General Fund balance increased by \$**71,790**.

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 Government-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 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.

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

Figure A-1

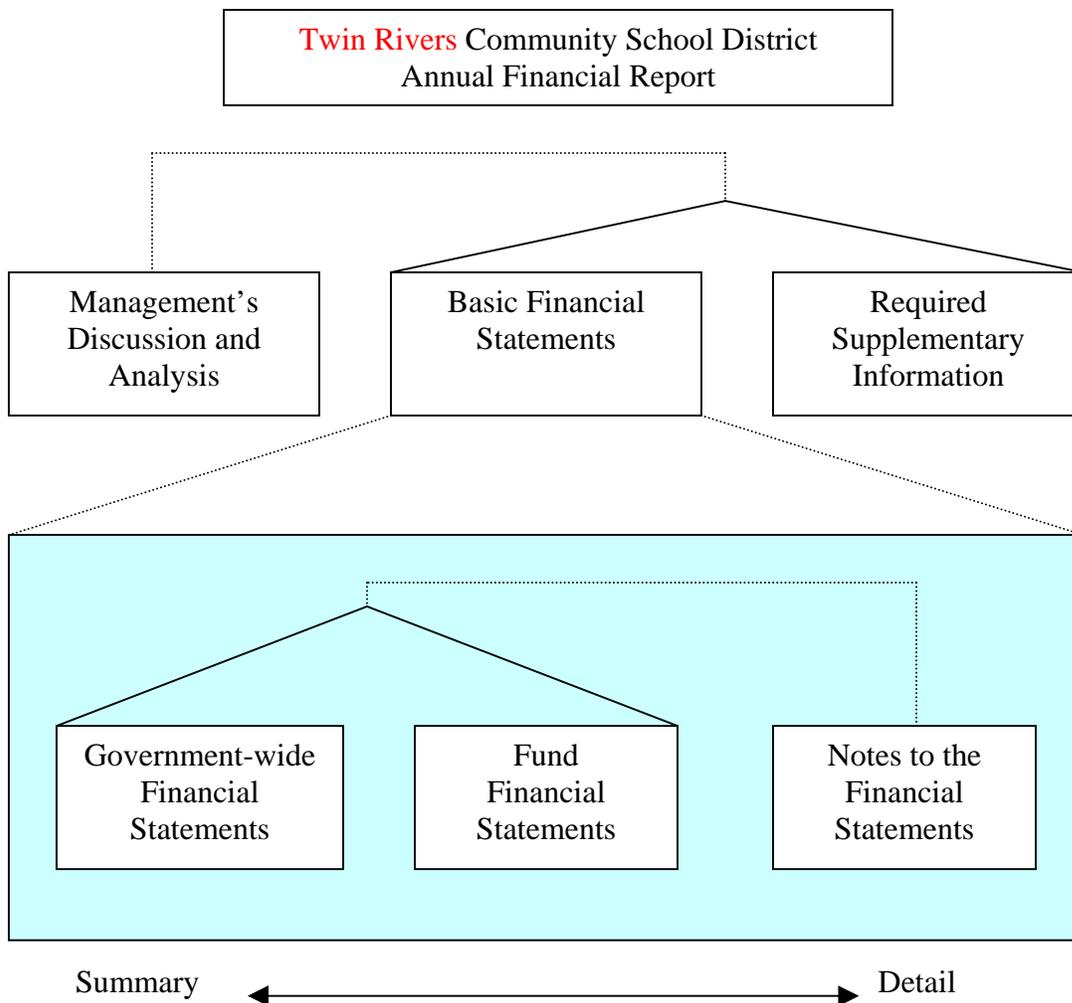


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

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

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private business: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flow 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow / outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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 would be 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 and Special Revenue Funds that consist of Activity, Management, and Physical Plant and Equipment Levy funds.

- *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 fund, one type of a proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Scholarship funds. 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

Net assets. The District's combined net assets were slightly larger on June 30, 2004, than they were the year before, increasing **68,327** (see Figure A-3). The largest increase is noted in the restricted area where the use of funds are limited by legislation.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities <u>2004</u>	Business- type Activities <u>2004</u>	Total School District <u>2004</u>
Current and other assets	\$1,701,455	\$4,323	\$1,705,778
Capital assets	292,795	16,495	309,290
Total Assets	1,994,250	20,818	2,015,068
Long-term liabilities	129,259	-	129,259
Other liabilities	1,085,559	857	1,086,416
Total liabilities	1,214,818	857	1,215,675
Net Assets:			
Invested in capital assets, net of related debt	163,536	16,795	180,031
Restricted	230,323	-	230,323
Unrestricted	385,573	3,466	389,039
TOTAL NET ASSETS	\$779,432	19,961	\$799,393

Changes in net assets. Fiscal year 2003-2004 marks the initial District implementation of the GASB-34 financial reporting model. As a result, prior year comparisons are not available but will be provided in all subsequent years. Figure A-4 reflects only totals from the current fiscal year ending June 30, 2004.

Governmental Activities -

Referring to *Figure A-4*, revenues for the District's governmental activities were \$2,597,994 for fiscal year 2004. Total governmental expenditures were \$2,494,607.

Figure A-4

Changes in Net Assets from Operating Results

	<u>Governmental Activities</u> <u>2004</u>	<u>Business-type Activities</u> <u>2004</u>	<u>Total School District</u> <u>2004</u>
Revenues			
Program Revenues			
Charges for services	\$472,202	\$35,489	\$507,691
Operating Grants & Contributions	217,445	32,096	249,541
Capital Grants & Contributions	-	-	-
General Revenues			
Property taxes & other taxes	1,295,974	-	1,295,974
Unrestricted State Grants	546,213	-	546,213
Unrestricted Investment Earnings	8,758	52	8,810
Other Revenue	57,402	-	57,402
Total Revenues	\$2,597,994	\$67,637	\$2,665,634
Expenses			
Instruction	1,463,610	-	1,463,610
Support Services	938,024	-	938,024
Non-Instructional Programs	-	103,591	103,591
Other Expenses	93,033	-	93,033
Total Expenses	\$2,494,667	\$103,591	\$2,598,258
Transfers	(35,000)	35,000	-
Change in Net Assets	\$68,327	(\$9,544)	\$67,373

Figure A-5

Net Cost of Governmental Activities

	<u>Total Cost of Services</u> <u>2004</u>	<u>Net Cost of Services</u> <u>2004</u>
Instruction	\$1,463,610	\$1,026,057
Support Services	938,024	755,527
Non-instructional Programs	-	-
Other Expenses	93,033	23,436
TOTAL	\$2,494,667	\$1,805,020

Figure A-5 presents the cost of the District's major governmental activities: instruction, support services, non-instruction programs and other expenses. The table shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of

these functions. (As with *Figure A-4*, a two-year comparison with the prior fiscal year is not possible under the new GASB 34 format. In the future a two-year comparison will be provided.)

- The cost of all governmental activities this year was \$2,494,667.
- Some of the cost was financed by the users of the District's programs (\$472,202).
- The federal and state governments and private contributors subsidized certain programs with grants and contributions (\$217,445).
- Most of the District's costs (\$1,805,020), however, were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$1,295,974 in property taxes, and \$546,213 in unrestricted state aid (based in large part on the statewide education aid formula), and 66,160 investment earnings and miscellaneous revenues.

Business-Type Activities -

The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income. The District's business-type activities show a slight decrease in net assets with expenses exceeding revenues \$954 (refer to *Figure A-4*). The \$35,000 transfer from Governmental Activities to Business-Type Activities to supplement the nutrition program. The Board of Education did not increase school meal prices for fiscal year 2004, but made a decision to increase meal prices \$.10 per meal for fiscal year 2005.

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$537,447, slightly more than last year's ending fund balances of \$446,367.

Governmental Fund Highlights

The General Fund balance increased from \$272,615 to \$344,405, due in part to the reduction in student enrollment, negotiated salary and benefit settlement, and events such as the Governor's 2.5% rollback; the elimination of Phase III funding; and the elimination of a sharing agreement of a staff member with a neighboring district. The Board chose to use carryover fund balance to maintain obligations and student programming.

The Nonmajor Governmental (Management and Activity) Funds balance decreased \$9,537 to \$96,809. The decrease was due in large part to increased revenues in the Management Fund for improving the financial condition of the fund to cover insurance rate increases and future early retirement payments.

The Physical Plant and Equipment Levy (PPEL) Fund balance increased \$13,758 to \$63,097. While revenues remained approximately the same (increase of \$400), the District substantially reduced spending from the PPEL Fund during fiscal 2004 in lieu of remodeling projects scheduled to be completed during the summer break.

Business Type Fund Highlights

The School Nutrition Fund net assets decreased from \$20,915 at June 30, 2003 to \$19,961 at June 30, 2004, representing an decrease of 5%. Ala carte sales more than doubled, and there was a slight increase in free/reduced meals served that contributed to an increase in federal aid reimbursement.

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. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

During FY04, total revenues were far below expectations held when the FY04 budget was assembled in February, 2003. Ultimately, expended amounts exceeded actual revenue by \$24,838. This was due to a variety of factors that could not have been anticipated when a budget estimate was assembled. For example, in November, 2003, the Governor announced a 2.5% across the board cut. Also, open enrollment income had been overestimated, and a shared administrative agreement with a neighboring district was terminated, not only increasing salary obligations but eliminating shared dollar revenues. The District also found out after the budget was established that Phase III revenues were going to be eliminated. On the expense side, the District began adjusting to all of these factors, and succeeded in keeping total disbursements below total receipts. When a preliminary budget is set, the District always requests the ability to expend its full budget if necessary, but has the goal of keeping disbursements in line with revenues as actual revenue accumulates. As a result, the District's certified budget should always exceed the actual expenditures during the year. It is apparent that even in such a difficult fiscal year in which to accurately predict revenues, the District was able to meet its goal and keep total disbursements (\$2,619,478) were slightly above total receipts (\$2,594,640).

Capital Asset and Debt Administration

Capital Assets

By the end of 2004, the District had invested \$292,795, net of accumulated depreciation, in a broad range of assets, including school buildings, athletic facilities, transportation equipment, and computer and audio-visual equipment (see *Figure A-6*). This amount represents a net increase of \$32,108 or .12% from last year. (More detailed information about capital assets can be found in Note 4 to the financial statements.) The District was able to stay within its means and not accumulate any debt in FY04. Capital assets were purchased as revenue became available and included Industrial Technology equipment, transportation equipment, and technology equipment.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities 2004	Business Type Activities 2004	Total School District 2004
	\$	\$	\$
Land	10,000	-	10,000
Improvements	39,910	-	39,910
Buildings	94,130	-	94,130
Equipment & Furniture	148,755	16,495	165,250
TOTAL	292,795	16,495	309,290

Long-Term Debt

At June 30, 2004, the District had \$129,259 general obligation and other long-term debt outstanding (Figure A-7). This represents an increase of approximately .26% from last year. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7

Long-Term Debt

	Balance End of 2004	Due Within One Year
	\$	\$
General obligation bonds	-	-
Local option sales tax revenue bonds	-	-
Notes Payable	37,164	8,500
Capital Leases	92,095	13,835
Total	129,259	22,335

Factors Bearing on the District's Future

The District is projected to remain in good financial health far into the future. Budgeting practices such as making sure disbursements do not exceed receipts, even during challenging years like FY04, combined with a solid foundation of cash balance and unspent balance, allow the District to provide the resources needed for excellent student achievement while still keeping the tax burden reasonable. In FY05, the District received additional new money for the first time in years, and FY06 looks even brighter for additional new money when a stable enrollment is combined with projected 4% allowable growth. The district is considering closing an elementary building in the near future, which would result in possible staff reductions and early retirements. This would effect the district's budget and financial stability in the future. However, costs outside of the Board's control such as continual increases in health insurance and utility costs are worrisome, and employee contract settlements will also have an effect on the District's financial viability.

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 of the money it receives. If you have questions about this report or need additional financial information, contact Dr. **James Kenton**, Superintendent, Twin Rivers Community School District, 200 College Avenue, **Bode**, Iowa **50519**.

BASIC FINANCIAL STATEMENTS

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	519,517	871	520,388
Receivables:			
Property tax:			
Delinquent	18,431	-	18,431
Succeeding year	1,071,015	-	1,071,015
Accounts	78	-	78
Due from other governments	92,414	-	92,414
Inventories	-	3,452	3,452
Capital assets, net of accumulated depreciation	292,795	16,495	309,290
Total assets	<u>1,994,250</u>	<u>20,818</u>	<u>2,015,068</u>
Liabilities			
Accounts payable	11,881	-	11,881
Accrued interest payable	2,663	-	2,663
Deferred revenue:			
Succeeding year property tax	1,071,015	-	1,071,015
Other	-	857	857
Long-term liabilities:			
Portion due within one year:			
Notes payable	8,500	-	8,500
Capital leases	13,835	-	13,835
Portion due after one year:			
Notes payable	28,664	-	28,664
Capital leases	78,260	-	78,260
Total liabilities	<u>1,214,818</u>	<u>857</u>	<u>1,215,675</u>
Net assets			
Invested in capital assets, net of related debt	163,536	16,495	180,031
Restricted for:			
Gifted and talented program	20,787	-	20,787
Iowa early intervention block grant	16,494	-	16,494
Management levy	76,342	-	76,342
Capital outlay	96,233	-	96,233
Other special revenue purposes	20,467	-	20,467
Unrestricted	385,573	3,466	389,039
Total net assets	<u><u>779,432</u></u>	<u><u>19,961</u></u>	<u><u>799,393</u></u>

See notes to financial statements.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Check figure to net assets	779,432	19,961	799,393
 <u>Not part of Exhibit A</u>			
Calculation of restricted fund balances			
Do not report as restricted if a negative amount is calculated			
Management fund balance from Sch. 1	76,342		
Less early retirement liability			
Restricted for management levy	<u>76,342</u>		
Debt service balance from Sch 1	-		
Less accrued interest payable on LT debt	<u>2,663</u>		
Restricted for Debt Service	<u>(2,663)</u>		
Net capital assets	292,795		
Less bonds payable			
Less notes payable	37,164		
Less capital lease payable	92,095		
Capital projects constr. fund balance from Sch 1 or Ex. C (if have unspent bond proceeds or loans.			
Invested in capital assets net of related debt	<u>163,536</u>		

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	1,060,082	157,009	90,398	-
Special instruction	133,502	71,978	43,272	-
Other instruction	270,026	71,566	3,330	-
	<u>1,463,610</u>	<u>300,553</u>	<u>137,000</u>	<u>-</u>
Support services:				
Student services	81,635	-	-	-
Instructional staff services	26,757	-	10,230	-
Administration services	364,059	169,849	-	-
Operation and maintenance of plant services	231,943	1,800	-	-
Transportation services	233,630	-	618	-
	<u>938,024</u>	<u>171,649</u>	<u>10,848</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	10,415	-	-	-
Long-term debt interest	2,882	-	-	-
AEA flowthrough	69,597	-	69,597	-
Depreciation (unallocated)*	10,139	-	-	-
	<u>93,033</u>	<u>-</u>	<u>69,597</u>	<u>-</u>
Total governmental activities	2,494,667	472,202	217,445	-
Business type activities				
Non-instructional programs:				
Food service operations	103,591	35,489	32,096	-
Total	<u>2,598,258</u>	<u>507,691</u>	<u>249,541</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				
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.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
(812,675)	-	(812,675)
(18,252)	-	(18,252)
(195,130)	-	(195,130)
<u>(1,026,057)</u>	<u>-</u>	<u>(1,026,057)</u>
(81,635)	-	(81,635)
(16,527)	-	(16,527)
(194,210)	-	(194,210)
(230,143)	-	(230,143)
(233,012)	-	(233,012)
<u>(755,527)</u>	<u>-</u>	<u>(755,527)</u>
(10,415)	-	(10,415)
(2,882)	-	(2,882)
-	-	-
(10,139)	-	(10,139)
<u>(23,436)</u>	<u>-</u>	<u>(23,436)</u>
(1,805,020)	-	(1,805,020)
-	(36,006)	(36,006)
<u>(1,805,020)</u>	<u>(36,006)</u>	<u>(1,841,026)</u>
1,149,405	-	1,149,405
30,287	-	30,287
91,048	-	91,048
25,234	-	25,234
546,213	-	546,213
8,758	52	8,810
57,402	-	57,402
1,908,347	52	1,908,399
(35,000)	35,000	-
<u>1,873,347</u>	<u>35,052</u>	<u>1,908,399</u>
68,327	(954)	67,373
711,105	20,915	732,020
<u>779,432</u>	<u>19,961</u>	<u>799,393</u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2004

	<u>General Fund</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
	\$	\$	\$
Assets			
Cash and pooled investments	330,101	189,416	519,517
Receivables:			
Property tax:			
Delinquent	17,336	1,095	18,431
Succeeding year	1,000,984	70,031	1,071,015
Accounts	78	-	78
Due from other governments	<u>89,352</u>	<u>3,062</u>	<u>92,414</u>
Total assets	<u><u>1,437,851</u></u>	<u><u>263,604</u></u>	<u><u>1,701,455</u></u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	11,350	531	11,881
Deferred revenue:			
Succeeding year property tax	1,000,984	70,031	1,071,015
Other	<u>81,112</u>	<u>-</u>	<u>81,112</u>
Total liabilities	<u>1,093,446</u>	<u>70,562</u>	<u>1,164,008</u>
Fund balances:			
Reserved for:			
Gifted and talented program	20,787	-	20,787
Iowa early intervention block grant	16,494	-	16,494
Debt service		-	-
Unreserved	<u>307,124</u>	<u>193,042</u>	<u>500,166</u>
Total fund balances	<u>344,405</u>	<u>193,042</u>	<u>537,447</u>
Total liabilities and fund balances	<u><u>1,437,851</u></u>	<u><u>263,604</u></u>	<u><u>1,701,455</u></u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

Total fund balances of governmental funds (Exhibit C)	537,447
--	---------

***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.	292,795
--	---------

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	81,112
---	--------

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	(2,663)
---	---------

Long-term liabilities, including notes 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>(129,259)</u>
--	------------------

Net assets of governmental activities (Exhibit A)	<u><u>779,432</u></u>
--	-----------------------

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	1,175,507	95,355	1,270,862
Tuition	267,762	-	267,762
Other	140,452	72,746	213,198
State sources	708,550	49	708,599
Federal sources	109,385	-	109,385
Total revenues	<u>2,401,656</u>	<u>168,150</u>	<u>2,569,806</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	1,004,872	14,857	1,019,729
Special instruction	133,502	-	133,502
Other instruction	195,074	74,952	270,026
	<u>1,333,448</u>	<u>89,809</u>	<u>1,423,257</u>
Support services:			
Student services	81,635	-	81,635
Instructional staff services	26,757	-	26,757
Administration services	364,059	-	364,059
Operation and maintenance of plant services	182,369	49,574	231,943
Transportation services	317,797	-	317,797
	<u>972,617</u>	<u>49,574</u>	<u>1,022,191</u>
Other expenditures:			
Facilities acquisition	-	10,415	10,415
Long-term debt:			
Principal	-	82,097	82,097
Interest and fiscal charges	-	2,540	2,540
AEA flowthrough	69,597	-	69,597
	<u>69,597</u>	<u>95,052</u>	<u>164,649</u>
Total expenditures	<u>2,375,662</u>	<u>234,435</u>	<u>2,610,097</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,994</u>	<u>(66,285)</u>	<u>(40,291)</u>
Other financing sources (uses):			
Proceeds from long-term loans	109,752	-	109,752
Sales of materials and equipment	56,619	-	56,619
Operating transfers in	-	96,137	96,137
Operating transfers out	(120,575)	(10,562)	(131,137)
Total other financing sources (uses)	<u>45,796</u>	<u>85,575</u>	<u>131,371</u>
Net change in fund balances	71,790	19,290	91,080
Fund balances beginning of year, as restated	<u>272,615</u>	<u>173,752</u>	<u>446,367</u>
Fund balances end of year	<u><u>344,405</u></u>	<u><u>193,042</u></u>	<u><u>537,447</u></u>

See notes to financial statements.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2004

\$ \$

Net change in fund balances - total governmental funds (Exhibit E)		91,080
---	--	--------

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

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

Expenditures for capital assets	109,752	
Depreciation expense	<u>(77,644)</u>	187,396

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.

(28,431)

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.

82,097

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.

(342)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		1,567
------------------	--	-------

Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.

(109,752)

Changes in net assets of governmental activities (Exhibit B)		<u><u>223,615</u></u>
---	--	-----------------------

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2004

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	871
Inventories	3,452
Capital assets, net of accumulated depreciation	<u>16,495</u>
Total assets	20,818
Liabilities	
Deferred revenue	<u>857</u>
Net assets	
Invested in capital assets, net of related debt	16,495
Unrestricted	<u>3,466</u>
Total net assets	<u><u>19,961</u></u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2004

	Nonmajor School Nutrition <u> </u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>35,489</u>
Operating expenses:	
Non-instructional programs:	
Salaries	40,656
Benefits	8,602
Purchased services	302
Supplies	53,395
Depreciation	<u>636</u>
	<u>103,591</u>
Operating gain (loss)	<u>(68,102)</u>
Non-operating revenue:	
State sources	1,001
Federal sources	31,095
Interest income	<u>52</u>
Total non-operating revenue	<u>32,148</u>
Gain (loss) before transfers	(35,954)
Transfers in	<u>35,000</u>
Change in net assets	(954)
Net assets beginning of year	<u>20,915</u>
Net assets end of year	<u><u>19,961</u></u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2004

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	35,459
Cash payments to employees for services	(49,258)
Cash payments to suppliers for goods or services	(47,865)
Net cash used by operating activities	<u>(61,664)</u>
Cash flows from non-capital financing activities:	
Operating transfers	35,000
State grants received	1,001
Federal grants received	24,403
Net cash provided by non-capital financing activities	<u>60,404</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>52</u>
Net increase (decrease) in cash and cash equivalents	(1,208)
Cash and cash equivalents at beginning of year	<u>2,079</u>
Cash and cash equivalents at end of year	<u><u>871</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(68,102)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	6,692
Depreciation	636
Decrease (increase) in inventories	(860)
(Decrease) increase in deferred revenue	<u>(30)</u>
Net cash used in operating activities	<u><u>(61,664)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$6,692 of federal commodities.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2004

	Private Purpose Trust Scholarship <u> </u> \$
Assets	
Cash and pooled investments	11,402
Land	<u>50,000</u>
Total Assets	61,402
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	11,402
Unreserved	<u>50,000</u>
Total net assets	<u><u>61,402</u></u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2004

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Rent	11,398
Interest	52
Total additions	<u>11,450</u>
Deductions:	
Support services:	
Scholarships awarded	8,500
Property taxes	2,105
Miscellaneous	18
Total deductions	<u>10,623</u>
Change in net assets	827
Net assets beginning of year	<u>60,575</u>
Net assets end of year	<u><u>61,402</u></u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies

Twin Rivers 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 **Bode**, Livermore, and Gilmore City, Iowa and the predominately agricultural territory in a portion of **Humboldt and Kossuth 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, **Twin Rivers** 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 **Twin Rivers** Community School District **has one component unit that** meets the Governmental Accounting Standards Board criteria. The Twin Rivers Education Foundation has been included as a blended component unit and is included in the District's financial statements as a private purpose trust fund.

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 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'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.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-

wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003, through June 30, 2004, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	500
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Furniture and equipment	3-10 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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the other expenditures function exceeded the amount budgeted.

2. **Cash and Pooled Investments**

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

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

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

3. Interfund Transfers

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

Transfer to	Transfer from	Amount
		\$
Debt Service	Special Revenue:	
	Physical Plant and Equipment Levy Fund	10,562
Enterprise:		
School Nutrition Fund	General Fund	35,000
Debt Service	General Fund	74,075
Special Revenue:		
Activity Fund	General Fund	11,500

The transfers to the Debt Service Fund moved revenues from the funds statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfers from the General Fund to the Student Activity and School Nutrition Funds subsidized deficits in those funds.

4. Capital Assets

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

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	647,168	-	-	647,168
Improvements other than buildings	152,718	-	-	152,718
Furniture and equipment	456,409	109,752	100,020	466,141
Total capital assets being deprec.	<u>1,256,295</u>	<u>109,752</u>	<u>100,020</u>	<u>1,266,027</u>
Less accumulated depreciation for:				
Buildings	550,066	2,972	-	553,038
Improvements other than buildings	105,641	7,167	-	112,808
Furniture and equipment	349,901	67,505	100,020	317,386
Total accumulated depreciation	<u>1,005,608</u>	<u>77,644</u>	<u>100,020</u>	<u>983,232</u>
Total capital assets being depreciated, net	<u>250,687</u>	<u>32,108</u>	-	<u>282,795</u>
Governmental activities capital assets, net	<u>260,687</u>	<u>32,108</u>	-	<u>292,795</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	103,467	-	-	103,467
Less accumulated depreciation	<u>86,336</u>	<u>636</u>	-	<u>86,972</u>
Business type activities capital assets, net	<u>17,131</u>	<u>(636)</u>	-	<u>16,495</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	41,920
Support Services:	
Transportation	<u>25,585</u>
	67,505
Unallocated depreciation	<u>10,139</u>
Total depreciation expense – governmental activities	<u>77,644</u>
Business type activities:	
Food services	<u>636</u>

5. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Capital loan notes	45,186	-	8,022	37,164	8,500
Capital leases	56,418	109,752	74,075	92,095	13,835
Early retirement	<u>13,467</u>	-	<u>13,467</u>	-	-
Total	<u>115,071</u>	<u>109,752</u>	<u>95,564</u>	<u>129,259</u>	<u>22,335</u>

Early Retirement

Early retirement expenditures for the year ended June 30, 2004 totaled \$13,467.

General Obligation Bonds Payable

The District had no bonded indebtedness at June 30, 2004

Capital Loan Notes

The District capital loan notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2005	5.88	8,500	2,062	10,562
2006	5.88	9,007	1,555	10,562
2007	5.88	9,544	1,018	10,562
2008	5.88	10,113	449	10,562
		<u>37,164</u>	<u>5,084</u>	<u>42,248</u>

During the year ended June 30, 2004 the District made principal and interest payments totaling \$10,562 under the note agreements.

Capital Leases

The District has leased buses 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.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		<u>\$</u>
	2005	17,656
	2006	17,656
	2007	66,500
Minimum Lease Payments		<u>101,812</u>
Less Amount Representing Interest		<u>9,717</u>
Present Value of Minimum Lease Payments		<u>92,095</u>

6. 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 \$65,922, \$76,193, and \$75,308 respectively, equal to the required contributions for each year.

7. Risk Management

Twin Rivers 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.

8. 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 \$69,597 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.

9. Accounting Change and Restatement

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

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities, and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

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

	Fund		
	General	Nonmajor	Total
	\$	\$	\$
Net assets, June 30, 2003, as previously reported	272,615	161,852	434,467
GASB Interpretation 6 adjustments		11,900	11,900
Net assets, July 1, 2003, as restated for governmental funds	<u>272,615</u>	<u>173,752</u>	446,367
GASB 34 adjustments:			
Capital assets net of accumulated depreciation of \$1,005,608			260,687
Long-term liabilities:			
Notes payable and capital leases			(103,171)
Accrued interest payable			(2,321)
Deferred revenue			<u>109,543</u>
Net assets, July 1, 2003, as restated			<u><u>711,105</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	1,751,694	35,511	1,787,205	1,938,713	1,938,713	(151,508)
State sources	709,035	1,001	710,036	737,434	737,434	(27,398)
Federal sources	66,304	31,095	97,399	111,000	111,000	(13,601)
Total receipts	<u>2,527,033</u>	<u>67,607</u>	<u>2,594,640</u>	<u>2,787,147</u>	<u>2,787,147</u>	<u>(192,507)</u>
Disbursements:						
Instruction	1,554,176	-	1,554,176	2,012,401	2,012,401	458,225
Support services	796,838	-	796,838	1,109,608	1,109,608	312,770
Non-instructional programs	-	103,815	103,815	132,210	132,210	28,395
Other expenditures	164,649	-	164,649	92,410	92,410	(72,239)
Total disbursements	<u>2,515,663</u>	<u>103,815</u>	<u>2,619,478</u>	<u>3,346,629</u>	<u>3,346,629</u>	<u>727,151</u>
Excess (deficiency) of receipts over (under) disbursements	11,370	(36,208)	(24,838)	(559,482)	(559,482)	534,644
Other financing sources (uses) net	<u>39,284</u>	<u>35,000</u>	<u>74,284</u>	<u>35,000</u>	<u>35,000</u>	<u>39,284</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	50,654	(1,208)	49,446	(524,482)	(524,482)	573,928
Balance beginning of year	<u>468,863</u>	<u>2,079</u>	<u>470,942</u>	<u>560,554</u>	<u>560,554</u>	<u>(89,612)</u>
Balance end of year	<u><u>519,517</u></u>	<u><u>871</u></u>	<u><u>520,388</u></u>	<u><u>36,072</u></u>	<u><u>36,072</u></u>	<u><u>484,316</u></u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
	\$	\$	\$
Revenues	2,527,033	42,773	2,569,806
Expenditures	2,515,663	94,434	2,610,097
Net	11,370	(51,661)	(40,291)
Other financing sources (uses) net	39,284	92,087	131,371
Beginning fund balances	468,863	(22,496)	446,367
Ending fund balances	<u>519,517</u>	<u>17,930</u>	<u>537,447</u>
	<u>Proprietary Fund</u>		
	<u>Enterprise</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Accrual Basis</u>
	\$	\$	\$
Revenues	67,607	30	67,637
Expenditures	103,815	(224)	103,591
Net	(36,208)	254	(35,954)
Other financing sources (uses) net	35,000	-	35,000
Beginning fund balances	2,079	18,836	20,915
Ending fund balances	<u>871</u>	<u>19,090</u>	<u>19,961</u>

TWIN RIVERS 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.

During the year ended June 30, [2004](#), disbursements in the other expenditures function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds			Capital Projects Funds	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales and Services Tax	
	\$	\$	\$	\$	
Cash and pooled investments	75,720	20,998	62,624	30,074	189,416
Receivables:					
Property tax:					
Delinquent	622	-	473	-	1,095
Succeeding year	45,000	-	25,031	-	70,031
Due from other governments	-	-	-	3,062	3,062
Total assets	121,342	20,998	88,128	33,136	263,604
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	531	-	-	531
Deferred revenue:					
Succeeding year property tax	45,000	-	25,031	-	70,031
Total liabilities	45,000	531	25,031	-	70,562
Fund balances:					
Unreserved fund balance	76,342	20,467	63,097	33,136	193,042
Total liabilities and fund balances	121,342	20,998	88,128	33,136	263,604

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Special Revenue Funds			Capital Projects Funds		Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales and Services Tax	Debt Service	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	39,834	-	30,287	25,234	-	95,355
Other	500	71,566	430	250	-	72,746
State sources	28	-	21	-	-	49
Total revenues	<u>40,362</u>	<u>71,566</u>	<u>30,738</u>	<u>25,484</u>	<u>-</u>	<u>168,150</u>
Expenditures:						
Current:						
Instruction:						
Regular instruction	14,857	-	-	-	-	14,857
Other instruction	-	74,952	-	-	-	74,952
Support services:						
Operation and maintenance of plant services	43,156	-	6,418	-	-	49,574
Other expenditures:						
Facilities acquisition	-	-	-	10,415	-	10,415
Long-term debt:						
Principal	-	-	-	-	82,097	82,097
Interest and fiscal charges	-	-	-	-	2,540	2,540
Total expenditures	<u>58,013</u>	<u>74,952</u>	<u>6,418</u>	<u>10,415</u>	<u>84,637</u>	<u>234,435</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,651)</u>	<u>(3,386)</u>	<u>24,320</u>	<u>15,069</u>	<u>(84,637)</u>	<u>(66,285)</u>
Other financing sources (uses):						
Operating transfers in	-	11,500	-	-	84,637	96,137
Operating transfers out	-	-	(10,562)	-	-	(10,562)
Total other financing sources (uses)	<u>-</u>	<u>11,500</u>	<u>(10,562)</u>	<u>-</u>	<u>84,637</u>	<u>85,575</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(17,651)</u>	<u>8,114</u>	<u>13,758</u>	<u>15,069</u>	<u>-</u>	<u>19,290</u>
Fund balances beginning of year, as restated	<u>93,993</u>	<u>12,353</u>	<u>49,339</u>	<u>18,067</u>	<u>-</u>	<u>173,752</u>
Fund balances end of year	<u><u>76,342</u></u>	<u><u>20,467</u></u>	<u><u>63,097</u></u>	<u><u>33,136</u></u>	<u><u>-</u></u>	<u><u>193,042</u></u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Intra-Fund Transfers \$	Balance End of Year \$
Athletics	(5,206)	37,735	32,254	(1)	274
Elementary spirit	374	1,305	1,433	(71)	175
High school spirit	1,109	10,565	8,235	1,653	5,092
Student council	526	3,472	3,636	282	644
Drill team	4,995	9,812	8,726	(2,373)	3,708
Spanish club	1,094	11	-	(1)	1,104
Pep club	1,152	1,457	2,134	(1)	474
National Honor Society	113	11	76	117	165
Technology club	143	-	-	-	143
Renaissance	868	682	2,101	1,179	628
Book club	-	382	382	-	-
Student pictures	(166)	119	122	66	(103)
Band/vocal projects	117	8	125	-	-
Class of 2002	-	-	(51)	-	51
Class of 2003	624	92	-	(92)	624
Class of 2004	995	1,976	2,064	(907)	-
Class of 2005	1,477	4,047	3,705	(1,549)	270
Class of 2006	520	3,322	2,235	(1)	1,606
Class of 2007	-	509	216	-	293
Yearbook	3,618	7,561	7,028	1,699	5,850
Ending accrual entries	-	-	531	-	(531)
Totals	<u>12,353</u>	<u>83,066</u>	<u>74,952</u>	<u>-</u>	<u>20,467</u>

TWIN RIVERS 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	1,270,862	1,139,567	1,084,308	1,073,884
Tuition	267,762	302,793	338,246	347,935
Other	213,198	285,283	262,856	252,385
State sources	708,599	809,852	787,051	824,722
Federal sources	109,385	94,817	59,221	57,128
Total revenues	<u>2,569,806</u>	<u>2,632,312</u>	<u>2,531,682</u>	<u>2,556,054</u>
Expenditures:				
Instruction:				
Regular instruction	1,019,729	1,109,002	1,068,156	1,059,854
Special instruction	133,502	328,716	304,167	324,406
Other instruction	270,026	302,084	272,766	295,058
Support services:				
Student services	81,635	100,800	111,294	85,287
Instructional staff services	26,757	27,156	24,116	29,063
Administration services	364,059	396,844	382,887	375,362
Operation and maintenance of plant services	231,943	216,919	238,129	252,538
Transportation services	317,797	70,206	93,936	171,377
Non-instructional programs	-	-	96	299
Other expenditures:				
Facilities acquisition	10,415	7,346	2,000	-
Long-term debt:				
Principal	82,097	69,807	58,429	117,052
Interest and other charges	2,540	9,272	12,583	11,419
AEA flowthrough	69,597	75,563	76,464	78,923
Total expenditures	<u>2,610,097</u>	<u>2,713,715</u>	<u>2,645,023</u>	<u>2,800,638</u>

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

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

We have audited the financial statements of the [Twin Rivers](#) Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated November 8, 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 [Twin Rivers](#) 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 item [04-II-B](#).

Internal Control over Financial Reporting

In planning and performing our audit, we considered [Twin Rivers](#) 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 item [04-I-A](#) is a material weakness. 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 [Twin Rivers](#) 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 [Twin Rivers](#) 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

November 8, [2004](#)

TWIN RIVERS 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.

TWIN RIVERS 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. However, the maximum deposit amounts were not recorded in the minutes for the year ended June 30, 2004.

Recommendation: The depository amounts should be recorded each year in the district minutes.

District Response: We will record the approved amounts in the minutes in the future.

Conclusion: Response accepted.

04-II-B Certified Budget: Disbursements for the year ended June 30, 2004, exceeded the amount budgeted in the other expenditures functional area.

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

District Response: We will amend future budgets before disbursements exceed the budget.

Conclusion: Response accepted.

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

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

04-II-E Business Transactions: We noted no transactions between the District and District officials or employees.

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

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

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

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

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