

VENTURA COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

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Independent Auditor's Report

To the Board of Education of
Ventura 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 Ventura Community School District, Ventura, 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 Ventura 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 13 to the financial statements, during the year ended June 30, 2004, Ventura 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 December 3, 2004, on our consideration of Ventura 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 10 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ventura 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

December 3, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,867,748 in fiscal 2003 to \$3,024,471 in fiscal 2004, while General Fund expenditures increased from \$2,772,165 in fiscal 2003 to \$2,930,511 in fiscal 2004. The District's General Fund balance increased from \$346,225 in fiscal 2003 to \$440,185 in fiscal 2004, a 27% increase.
- The increase in General Fund revenues was attributable to an increase in property tax, and increased revenue from tuition paid to the District by other school districts for students open enrolling into Ventura Community Schools. The increase expenditures were due primarily to increase in the negotiated salary and benefits. One reason the General Fund balance increased was the negotiated salary and benefits settlement was less than the District's increase in General Fund revenue for fiscal year 2004. As a result, the District did not have to fund a portion of the current year General fund salaries and benefits from the carryover fund balance.

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 the Ventura Community School District as a whole and present an overall view of the District's Finances](#)

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report Ventura Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

Other Supplementary Information provides detailed information about the nonmajor capital projects and Special Revenue Funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

The government-wide financial statements report information about the District as a whole using the accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, needs to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental Activities:* Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property tax and state aid finance most of these activities.
- *Business-type Activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The district has two kinds of funds:

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

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

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary Funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same

as its business-type activities, but provides more detail, and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The District's Internal Service Fund is another type of proprietary fund. The internal service fund is used to account for the District's employee flexible benefit plan.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	\$3,392	\$3,095	\$16	\$13	\$3,408	\$3,108	9.7%
Capital Assets	\$2,763	\$2,742	\$14	\$16	\$2,778	\$2,757	0.7%
Total Assets	\$6,155	\$5,836	\$31	\$29	\$6,186	\$5,865	5.5%
Long-term Liabilities	\$958	\$1,212	\$0	\$0	\$958	\$1,212	-20.9%
Other Liabilities	\$2,571	\$2,526	\$2	\$2	\$2,573	\$2,528	1.8%
Total Liabilities	\$3,529	\$3,739	\$2	\$2	\$3,531	\$3,741	-5.6%
Net Assets:							
Invested in capital assets net of related debt	\$1,861	\$1,549	\$14	\$16	\$1,876	\$1,565	19.9%
Restricted	\$274	\$140			\$274	\$140	96.3%
Unrestricted	\$490	\$409	\$15	\$11	\$505	\$420	20.2%
	\$2,625	\$2,098	\$29	\$27	\$2,655	\$2,124	25.0%

The District's combined net assets increased by 25% or approximately \$531,000 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$137,000 or 96% over the prior year. The increase was primarily a result of capital projects funded by the local option sales tax.

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

requirements – increased 20% or approximately \$85,000. This increase in unrestricted net assets was a result of the increase in General Fund revenues exceeding the increase in General Fund expenditures. Figure B shows the changes in net assets for the year ending June 30, 2004.

Figure B
Changes in Net Assets
(Expressed in Thousands)

	Governmental Activities	Business-type Activities	Total District
Revenues:			
Program Revenues:			
Charges for Service	\$964	\$81	\$1,045
Operating Grants, contributions and restricted interest	\$327	\$49	\$376
Capital Grants, contributions and restricted interest	\$4		\$4
General Revenues:			
Property Tax	\$1,911		\$1,911
Income Surtax and Local Option Sales Tax	\$298		\$298
Unrestricted state grants	\$332		\$332
Unrestricted investment earnings	\$18		\$18
Other	\$4		\$4
Total Revenues	<u>\$3,859</u>	<u>\$130</u>	<u>\$3,989</u>
Program Expenses			
Governmental Activities:			
Instruction	\$2,145		\$2,145
Support Services	\$950		\$950
Non-instructional programs	\$9	\$127	\$136
Other expenses	\$227		\$227
Total Expenses	<u>\$3,331</u>	<u>\$127</u>	<u>\$3,458</u>
Change in net assets	\$528	\$3	\$530

Property tax and unrestricted state grants account for 58% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 93% of the total expenses.

Governmental Activities

Revenues from governmental activities were \$3,858,640 and expenses were \$3,331,062. The district was able to balance the budget through matching expenses to available resources.

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

Figure C
Total & Net Cost of Governmental
Activities
(Expressed in Thousands)

	Total Cost of Services	Net cost of Services
Instruction	\$2,145	\$935
Support Services	\$950	\$948
Non-Instructional Programs	\$9	\$9
Other Expenses	\$227	\$144
Totals	\$3,331	\$2,036

- The cost financed by users of the District’s programs was \$963,874.
- Federal and State governments subsidized certain programs with grants and contributions totaling \$326,956.
- The net cost of governmental activities was financed with \$2,208,874 in property and other taxes and \$332,084 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$130,099 and expenses were \$127,406. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ending June 30, 2004, no changes were made in meal prices. The School Nutrition fund continued to generate sufficient revenue to pay the expenditures in the fiscal year.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$745,048, well above last year’s ending fund balances of \$495,161. However, the primary reason for the increase in combined fund balances in fiscal 2004 is due to approximately \$200,000 in revenue from the local option sales and service tax.

Governmental Fund Highlights

- The District’s improving General Fund financial position is the result of increased open enrollment into the district as well as managing the growth of expenditures related to instruction and support services. However, the \$94,000 growth in the ending balance of the fund will be affected by an adjustment due to error in counting 6 students for enrollment reasons. This will adjust that balance down by about \$35,000 to approximately \$60,000.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$5,113 in fiscal 2003 to \$50,208 in fiscal 2004. While revenue remained approximately the same, the District substantially reduced spending from the PPEL fund in order reserve funds for anticipated capital expenditures in upcoming fiscal years.

- The Capital Projects Fund balance increased due to the revenue generated by the Local Option Sales and Service tax of \$215,878 in fiscal 2004.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$26,591 in fiscal 2003 to \$29,284 in fiscal 2004, representing an increase of 12%. Meal prices remained the same from fiscal 2003 to fiscal 2004 while an increase of 4.7% was incurred in wages and benefits for employees.

BUDGETARY HIGHLIGHTS

The District's receipts were \$464,778 greater than budgeted receipts, a variance of 13%. The most significant variance resulted from the District receiving more in tuition paid to the district because of open enrollment than originally anticipated.

Total expenditures were \$101,024 less than budgeted, a variance of 3%. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$2,763,038, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A) This represents a net increase of less than 1% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statement. Depreciation expense for the year was \$96,130.

The original cost of the District's capital assets for governmental funds and business type funds was \$4,453,726 and \$88,215 respectively.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$117,593 at June 30, 2004, compared to \$0 reported June 30, 2003. This significant increase resulted from construction activity financed by the Local Option Sales and Service tax for exterior wall renovation on the vocational and music wing of the high school and a window infill project at the elementary. The \$117,593 is the beginning of about \$625,000 of construction activity that will be completed during fiscal year 2005.

Figure D
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Land	\$27	\$27	\$0	\$0	\$27	\$27	0.0%
Construction in Progress	\$118	\$0	\$0	\$0	\$118	\$0	0.0%
Buildings	\$2,577	\$2,642	\$0	\$0	\$2,577	\$2,642	-2.5%
Improvements other than buildings	\$1	\$3	\$0	\$0	\$1	\$3	-66.7%
Furniture and Equipment	\$40	\$70	\$14	\$16	\$54	\$86	-37.2%
Totals	\$2,763	\$2,742	\$14	\$16	\$2,777	\$2,758	0.7%

Long-Term Debt

At June 30, 2004, the District had \$958,460 in general obligation and other long-term debt outstanding. This represents a decrease of 21% from last year. (See Figure E) Additional information about the District's long-term debt is presented in Note 7 to the financial statement.

During fiscal 2004, the District refinanced \$735,000 in general obligation bonds to take advantage of reduced interest rates. The anticipated savings due to the refinancing is approximately \$33,000.

	Figure E		
	Outstanding Long-Term Obligations		
	(Expressed in Thousands)		
	Total District		Total Change
	June 30,		June 30,
	2004	2003	2003-2004
General Obligation	\$735	\$940	-21.8%
Capital Loan Notes	\$150	\$220	-31.8%
Capital Leases	\$17	\$32	-46.9%
Early Retirement	\$48	\$11	336.4%
Compensated Absences	\$9	\$10	-10.0%
Totals	\$958	\$1,213	-21.0%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The city of Ventura has issued 10 building permits for houses to be constructed in the next fiscal year. This will have a positive impact on the District's total taxable valuation in the future.
- The number of students the District is responsible for educating has increased in recent years despite a slight decline in resident student population.
- The District must replace the existing transportation building, constructed in 1917, in the next fiscal year. The anticipated cost of this project is \$350,000 and will be paid for with revenue from the Local Option Sales and Service tax.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nancy Watson, District Secretary and Business Manager, Ventura Community School District, 110 South Main, Ventura, IA 50482.

BASIC FINANCIAL STATEMENTS

VENTURA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type	Total
	2004	2004	2004
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	482,802	-	482,802
Other	1,038,551	14,986	1,053,537
Receivables:			
Property tax:			
Delinquent	26,669	-	26,669
Succeeding year	1,704,549	-	1,704,549
Accounts	-	71	71
Accrued interest:			
ISCAP	789	-	789
Due from other governments	138,418	-	138,418
Inventories	-	1,287	1,287
Capital assets, net of accumulated depreciation	2,763,038	14,484	2,777,522
Total assets	6,154,816	30,828	6,185,644
Liabilities			
Accounts payable	127,933	-	127,933
Salaries and benefits payable	246,217	113	246,330
Accrued interest payable	5,733	-	5,733
Deferred revenue:			
Succeeding year property tax	1,704,549	-	1,704,549
Other	-	1,431	1,431
ISCAP warrants payable	480,000	-	480,000
ISCAP accrued interest payable	1,196	-	1,196
ISCAP premium	5,354	-	5,354
Long-term liabilities			
Portion due within one year:			
General obligation bonds payable	245,000	-	245,000
Capital loan notes payable	75,000	-	75,000
Capital leases	16,701	-	16,701
Early retirement	9,615	-	9,615
Portion due after one year:			
General obligation bonds payable	490,000	-	490,000
Capital loan notes payable	75,000	-	75,000
Early retirement	38,040	-	38,040
Compensated absences	9,104	-	9,104
Total liabilities	3,529,442	1,544	3,530,986

VENTURA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type	Total
	2004	2004	2004
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	1,861,337	14,484	1,875,821
Restricted for:			
Gifted and talented program	15,764	-	15,764
Management levy	-	-	-
Physical plant and equipment levy	50,208	-	50,208
Other special revenue purposes	86,497	-	86,497
Local option sales tax capital projects	98,285	-	98,285
Debt service	23,428	-	23,428
Unrestricted	<u>489,855</u>	<u>14,800</u>	<u>504,655</u>
Total net assets	<u><u>2,625,374</u></u>	<u><u>29,284</u></u>	<u><u>2,654,658</u></u>

VENTURA 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	1,546,398	653,777	226,647	-
Special instruction	222,517	162,827	10,645	-
Other instruction	376,163	145,469	11,188	-
	<u>2,145,078</u>	<u>962,073</u>	<u>248,480</u>	<u>-</u>
Support services:				
Student services	46,734	-	-	-
Instructional staff services	121,566	-	-	-
Administration services	409,982	-	-	-
Operation and maintenance of plant services	244,235	-	-	-
Transportation services	127,735	1,801	-	-
	<u>950,252</u>	<u>1,801</u>	<u>-</u>	<u>-</u>
Non-instructional programs	<u>8,988</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	24,931	-	-	4,250
Long-term debt interest	57,755	-	557	-
AEA flowthrough	77,919	-	77,919	-
Depreciation (unallocated)*	66,139	-	-	-
	<u>226,744</u>	<u>-</u>	<u>78,476</u>	<u>4,250</u>
Total governmental activities	3,331,062	963,874	326,956	4,250
Business type activities				
Non-instructional programs:				
Food service operations	<u>127,406</u>	<u>80,679</u>	<u>49,420</u>	<u>-</u>
Total	<u>3,458,468</u>	<u>1,044,553</u>	<u>376,376</u>	<u>4,250</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

*This amount excludes the depreciation that is included in the direct expenses of the various programs.

VENTURA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(665,974)	-	(665,974)
(49,045)	-	(49,045)
(219,506)	-	(219,506)
<u>(934,525)</u>	<u>-</u>	<u>(934,525)</u>
(46,734)	-	(46,734)
(121,566)	-	(121,566)
(409,982)	-	(409,982)
(244,235)	-	(244,235)
(125,934)	-	(125,934)
<u>(948,451)</u>	<u>-</u>	<u>(948,451)</u>
(8,988)	-	(8,988)
(20,681)	-	(20,681)
(57,198)	-	(57,198)
-	-	-
(66,139)	-	(66,139)
<u>(144,018)</u>	<u>-</u>	<u>(144,018)</u>
(2,035,982)	-	(2,035,982)
-	2,693	2,693
<u>(2,035,982)</u>	<u>2,693</u>	<u>(2,033,289)</u>
1,487,038	-	1,487,038
260,768	-	260,768
163,063	-	163,063
82,127	-	82,127
215,878	-	215,878
332,084	-	332,084
18,131	-	18,131
4,471	-	4,471
<u>2,563,560</u>	<u>-</u>	<u>2,563,560</u>
527,578	2,693	530,271
<u>2,097,796</u>	<u>26,591</u>	<u>2,124,387</u>
<u>2,625,374</u>	<u>29,284</u>	<u>2,654,658</u>

VENTURA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2004

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:				
ISCAP	482,802	-	-	482,802
Other	667,101	25,479	345,080	1,037,660
Receivables:				
Property tax:				
Delinquent	20,158	3,682	2,829	26,669
Succeeding year	1,354,111	165,080	185,358	1,704,549
Accrued interest - ISCAP	789	-	-	789
Interfund receivable	1,100	-	-	1,100
Due from other governments	101,634	-	36,784	138,418
Total assets	2,627,695	194,241	570,051	3,391,987
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	18,932	-	109,001	127,933
Salaries and benefits payable	246,217	-	-	246,217
ISCAP warrants payable	480,000	-	-	480,000
ISCAP accrued interest payable	1,196	-	-	1,196
ISCAP premium	5,354	-	-	5,354
Deferred revenue:				
Succeeding year property tax	1,354,111	165,080	185,358	1,704,549
Other	81,700	-	-	81,700
Total liabilities	2,187,510	165,080	294,359	2,646,949
Fund balances:				
Reserved for:				
Gifted and talented program	15,764	-	-	15,764
Debt service	-	29,161	-	29,161
Unreserved	424,421	-	275,692	700,113
Total fund balances	440,185	29,161	275,692	745,038
Total liabilities and fund balances	2,627,695	194,241	570,051	3,391,987

VENTURA 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)	745,038
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***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.	2,763,038
--	-----------

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	81,700
---	--------

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	(5,733)
---	---------

An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	(209)
--	-------

Long-term liabilities, including bonds payable, notes payable, capital leases, compensated absences and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(958,460)</u>
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Net assets of governmental activities (Exhibit A)	<u><u>2,625,374</u></u>
--	-------------------------

VENTURA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,526,790	260,768	418,964	2,206,522
Tuition	728,356	-	-	728,356
Other	115,098	557	147,278	262,933
State sources	568,479	-	4,250	572,729
Federal sources	82,396	-	-	82,396
Total revenues	<u>3,021,119</u>	<u>261,325</u>	<u>570,492</u>	<u>3,852,936</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,492,994	-	12,137	1,505,131
Special instruction	222,517	-	-	222,517
Other instruction	239,945	-	136,218	376,163
	<u>1,955,456</u>	<u>-</u>	<u>148,355</u>	<u>2,103,811</u>
Support services:				
Student services	46,469	-	265	46,734
Instructional staff services	121,035	-	531	121,566
Administration services	400,688	8,320	974	409,982
Operation and maintenance of plant services	224,897	-	18,307	243,204
Transportation services	95,059	-	7,709	102,768
	<u>888,148</u>	<u>8,320</u>	<u>27,786</u>	<u>924,254</u>
Non-instructional programs	<u>8,988</u>	<u>-</u>	<u>-</u>	<u>8,988</u>
Other expenditures:				
Facilities acquisition	-	-	142,524	142,524
Long-term debt:				
Principal	-	300,711	-	300,711
Interest and fiscal charges	-	58,204	-	58,204
AEA flowthrough	77,919	-	-	77,919
	<u>77,919</u>	<u>358,915</u>	<u>142,524</u>	<u>579,358</u>
Total expenditures	<u>2,930,511</u>	<u>367,235</u>	<u>318,665</u>	<u>3,616,411</u>

VENTURA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	<u>General Fund</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
	\$	\$	\$	\$
Excess (deficiency) of revenues over (under) expenditures	<u>90,608</u>	<u>(105,910)</u>	<u>251,827</u>	<u>236,525</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	317	-	-	317
Refunding bonds issued	-	735,000	-	735,000
Bond principal payments	-	(725,000)	-	(725,000)
Sales of materials and equipment	3,035	-	-	3,035
Operating transfers in	-	98,390	-	98,390
Operating transfers out	-	-	(98,390)	(98,390)
Total other financing sources (uses)	<u>3,352</u>	<u>108,390</u>	<u>(98,390)</u>	<u>13,352</u>
Net change in fund balances	93,960	2,480	153,437	249,877
Fund balances beginning of year, as restated	<u>346,225</u>	<u>26,681</u>	<u>122,255</u>	<u>495,161</u>
Fund balances end of year	<u><u>440,185</u></u>	<u><u>29,161</u></u>	<u><u>275,692</u></u>	<u><u>745,038</u></u>

VENTURA 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)		249,877
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year as follows:		
Expenditures for capital assets	117,593	
Depreciation expense	<u>(96,130)</u>	21,463
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.		2,352
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.		1,025,711
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.		449
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	(36,666)	
Compensated absences	<u>(399)</u>	(37,065)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		(735,000)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>(209)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>527,578</u></u>

VENTURA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2004

	<u>Enterprise Fund</u>	<u>Governmental</u>
	Nonmajor	Activities -
	School Nutrition	Internal Service
	\$	Fund
	\$	\$
Assets		
Cash and cash equivalents	14,986	891
Accounts receivable	71	-
Inventories	1,287	-
Capital assets, net of accumulated depreciation	14,484	-
Total assets	<u>30,828</u>	<u>891</u>
Liabilities		
Interfund payable	-	1,100
Salaries and benefits payable	113	-
Deferred revenue	1,431	-
Total liabilities	<u>1,544</u>	<u>1,100</u>
Net assets		
Invested in capital assets, net of related debt	14,484	-
Unrestricted	14,800	(209)
Total net assets	<u><u>29,284</u></u>	<u><u>(209)</u></u>

VENTURA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Enterprise Fund <u>Nonmajor School Nutrition</u> \$	Governmental Activities - Internal Service Fund <u> </u> \$
Operating revenue:		
Local sources:		
Charges for service	<u>80,679</u>	<u>9,050</u>
Operating expenses:		
Non-instructional programs:		
Salaries	51,275	-
Benefits	6,871	9,259
Supplies	65,890	-
Depreciation	2,470	-
Other	900	-
	<u>127,406</u>	<u>9,259</u>
Operating gain (loss)	<u>(46,727)</u>	<u>(209)</u>
Non-operating revenue:		
State sources	1,850	-
Federal sources	<u>47,570</u>	-
Total non-operating revenue	<u>49,420</u>	-
Change in net assets	2,693	(209)
Net assets beginning of year	<u>26,591</u>	-
Net assets end of year	<u><u>29,284</u></u>	<u><u>(209)</u></u>

VENTURA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2004

	Enterprise Fund <u>Nonmajor School Nutrition</u> \$	Governmental Activities - Internal Service Fund <u>Service Fund</u> \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	80,066	-
Cash received from services provided to other funds	-	9,050
Cash payments to employees for services	(58,033)	(9,259)
Cash payments to suppliers for goods or services	(54,153)	-
Net cash used by operating activities	<u>(32,120)</u>	<u>(209)</u>
Cash flows from non-capital financing activities:		
State grants received	1,850	-
Federal grants received	35,405	-
Net cash provided by non-capital financing activities	<u>37,255</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(1,100)</u>	<u>-</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	4,035	(209)
Cash and cash equivalents at beginning of year	<u>10,951</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>14,986</u>	<u>(209)</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating gain (loss)	(46,727)	(209)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	12,165	-
Depreciation	2,470	-
Decrease (increase) in inventories	472	-
Decrease (increase) in accounts receivable	40	-
(Decrease) increase in salaries and benefits payable	113	-
(Decrease) increase in deferred revenue	(653)	-
Net cash used in operating activities	<u>(32,120)</u>	<u>(209)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$12,165 of federal commodities.

VENTURA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies

Ventura 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 Ventura, Iowa and the predominately agricultural territory in a portion of Cerro Gordo and Hancock 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, Ventura 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 Ventura Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

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

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

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

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

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused sick leave hours 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 the 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 as liabilities in the governmental activities column in the Statement of Net Assets.

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

2. Cash and Pooled Investments

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

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

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

3. Interfund Receivables and Payables

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Internal Service Fund	\$ 1,100

The General Fund loaned the Internal Service Fund money for cash flow purposes. The loan will be repaid during fiscal year 2005.

4. Interfund Transfers

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

Transfer to	Transfer from	Amount
		\$
Debt Service Fund	Special Revenue: Physical Plant and Equipment Levy Fund	98,390

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

5. Iowa School Cash Anticipation Program (ISCAP)

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

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2003-04B	1/30/04	1/28/05	144,981	789	144,000	1,196
2004-05A	6/30/04	6/30/05	337,821	-	336,000	-
Total			<u>482,802</u>	<u>789</u>	<u>480,000</u>	<u>1,196</u>

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

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	-	-	-

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

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2003-04A	2.000	1.050
2003-04B	2.000	1.131
2004-05A	3.000	2.463

6. Capital Assets

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

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	-	117,593	-	117,593
Land	27,350	-	-	27,350
Total capital assets not being depr.	<u>27,350</u>	<u>117,593</u>	<u>-</u>	<u>144,943</u>
Capital assets being depreciated:				
Buildings	3,470,657	-	-	3,470,657
Improvements other than buildings	189,365	-	-	189,365
Furniture and equipment	648,761	-	-	648,761
Total capital assets being deprec.	<u>4,308,783</u>	<u>-</u>	<u>-</u>	<u>4,308,783</u>
Less accumulated depreciation for:				
Buildings	829,136	64,120	-	893,256
Improvements other than buildings	186,336	2,019	-	188,355
Furniture and equipment	579,086	29,991	-	609,077
Total accumulated depreciation	<u>1,594,558</u>	<u>96,130</u>	<u>-</u>	<u>1,690,688</u>
Total capital assets being Depreciated, net	<u>2,714,225</u>	<u>(96,130)</u>	<u>-</u>	<u>2,618,095</u>
Governmental activities capital Assets, net	<u>2,741,575</u>	<u>21,463</u>	<u>-</u>	<u>2,763,038</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	87,115	1,100	-	88,215
Less accumulated depreciation	<u>71,261</u>	<u>2,470</u>	<u>-</u>	<u>73,731</u>
Business type activities capital				

Assets, net	15,854	(1,370)	-	14,484
-------------	--------	---------	---	--------

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	3,993
Support Services:	
Operation and maintenance of plant services	1,031
Transportation	24,967
	<u>29,991</u>
Unallocated depreciation	<u>66,139</u>
Total depreciation expense – governmental activities	<u>96,130</u>
Business type activities:	
Food services	<u>2,470</u>

7. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	940,000	735,000	940,000	735,000	245,000
Capital loan notes	220,000	-	70,000	150,000	75,000
Capital leases	32,412	-	15,711	16,701	16,701
Early retirement	10,989	42,221	5,555	47,655	9,615
Compensated absences	8,705	399	-	9,104	-
Total	<u>1,212,106</u>	<u>777,620</u>	<u>1,031,266</u>	<u>958,460</u>	<u>346,316</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be between the ages **fifty-five and sixty-two** and must have completed **fifteen** years of service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives include the payment of up to \$300 per month for single health insurance coverage. Early retirement expenditures for the year ended June 30, **2004** totaled **\$5,555**.

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Refunding Issue of March, 2004			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005	1.40	245,000	15,600	260,600
2006	1.70	250,000	9,050	259,050
2007	2.00	<u>240,000</u>	<u>4,800</u>	<u>244,800</u>

735,000
29,450
764,450

Capital Loan Notes

The District issued \$535,000 of capital loan notes during the year ended June 30, 1997. These 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:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005	4.85	75,000	7,312	82,312
2006	4.90	<u>75,000</u>	<u>3,675</u>	<u>78,675</u>
		<u>150,000</u>	<u>10,987</u>	<u>160,987</u>

During the year ended June 30, 2004 the District made principal and interest payments totaling \$80,638 under the note agreements.

Capital Leases

The District has leased computers under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2004.

	Year Ending June 30,	Amount
		\$
	2005	17,753
Less Amount Representing Interest		<u>1,052</u>
Present Value of Minimum Lease Payments		<u>16,701</u>

Debt Defeasance

On March 1, 2004, the District issued \$735,000 of general obligation refunding bonds with interest rates ranging between 1.40% to 2.00%. The District issued the bonds to refund \$725,000 of the outstanding December, 1996 general obligation bonds with interest rates of 4.70% to 5.00%. The District used the net proceeds to call and pay the balance of the 1996 issue.

The refunding reduced total debt service payments over the next three years by \$32,650. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$31,379.

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 \$97,128, \$91,249, and \$84,449 respectively, equal to the required contributions for each year.

9. Risk Management

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

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$77,919 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Construction Commitment

The District has entered into contracts totaling \$163,601 for roof repairs and remodeling. As of June 30, 2004 costs of \$99,073 had been incurred against the contracts. The balances remaining at June 30, 2004 will be paid as work on the project progresses.

12. Subsequent Events

The District issued \$525,000 of School Infrastructure Local Option Sales and Services Tax Revenue Bonds in August, 2004.

13. Accounting Change and Restatement

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

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

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

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

	Fund			Total
	General	Debt Service	Nonmajor	
Net assets, June 30, 2003, as previously reported	\$ 346,225	26,681	\$ 121,376	\$ 494,282
GASB Interpretation 6 adjustments	-	-	879	879
Net assets, July 1, 2003, as restated for Governmental funds	<u>346,225</u>	<u>26,681</u>	<u>122,255</u>	495,161
GASB 34 adjustments:				
Capital assets net of accumulated depreciation of \$1,594,558				2,741,575
Net assets and liabilities of Internal Service Fund				-
Long-term liabilities:				
Bonds			940,000	
Capital loan notes payable			220,000	
Capital leases			32,412	
Compensated absences			8,705	
Early retirement			<u>10,989</u>	(1,212,106)
Accrued interest payable				(6,182)
Deferred revenue				<u>79,348</u>
Net assets, July 1, 2003, as restated				<u>2,097,796</u>

14. Related Party Transaction

A District board member serves as the insurance agent for the District's property, liability and workmen's compensation insurance. The District paid premiums of \$33,987 during the year ended June 30, 2004.

REQUIRED SUPPLEMENTARY INFORMATION

VENTURA COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	3,244,254	80,066	3,324,320	2,887,749	2,887,749	436,571
State sources	569,756	1,850	571,606	599,664	599,664	(28,058)
Federal sources	75,695	47,570	123,265	67,000	67,000	56,265
Total receipts	<u>3,889,705</u>	<u>129,486</u>	<u>4,019,191</u>	<u>3,554,413</u>	<u>3,554,413</u>	<u>464,778</u>
Disbursements:						
Instruction	2,092,337	-	2,092,337	2,152,000	2,152,000	59,663
Support services	933,155	-	933,155	1,020,822	1,020,822	87,667
Non-instructional programs	9,108	125,451	134,559	120,843	120,843	(13,716)
Other expenditures	470,652	-	470,652	438,062	438,062	(32,590)
Total disbursements	<u>3,505,252</u>	<u>125,451</u>	<u>3,630,703</u>	<u>3,731,727</u>	<u>3,731,727</u>	<u>101,024</u>
Excess (deficiency) of receipts over (under) disbursements	384,453	4,035	388,488	(177,314)	(177,314)	565,802
Other financing sources (uses) net	<u>13,352</u>	-	<u>13,352</u>	-	-	<u>13,352</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	397,805	4,035	401,840	(177,314)	(177,314)	579,154
Balance beginning of year	<u>639,855</u>	<u>10,951</u>	<u>650,806</u>	<u>679,612</u>	<u>679,612</u>	<u>(28,806)</u>
Balance end of year	<u><u>1,037,660</u></u>	<u><u>14,986</u></u>	<u><u>1,052,646</u></u>	<u><u>502,298</u></u>	<u><u>502,298</u></u>	<u><u>550,348</u></u>

VENTURA 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	3,889,705	(36,769)	3,852,936
Expenditures	3,505,252	111,159	3,616,411
Net	384,453	(147,928)	236,525
Other financing sources (uses) net	13,352	-	13,352
Beginning fund balances	639,855	(144,694)	495,161
Ending fund balances	<u>1,037,660</u>	<u>(292,622)</u>	<u>745,038</u>
	<u>Proprietary Fund</u>		
	<u>Enterprise</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Accrual Basis</u>
	\$	\$	\$
Revenues	129,486	613	130,099
Expenditures	125,451	1,955	127,406
Net	4,035	(1,342)	2,693
Beginning fund balances	10,951	15,640	26,591
Ending fund balances	<u>14,986</u>	<u>14,298</u>	<u>29,284</u>

VENTURA 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 Internal Service, 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 it's budger during the year.

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

OTHER SUPPLEMENTARY INFORMATION

VENTURA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds			Capital Projects Fund	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales and Services Tax	
	\$	\$	\$	\$	\$
Cash and pooled investments	40,144	86,792	48,405	169,739	345,080
Receivables:					
Property tax:					
Delinquent	558	-	2,271	-	2,829
Succeeding year	30,000	-	155,358	-	185,358
Due from other governments	-	-	-	36,784	36,784
Total assets	70,702	86,792	206,034	206,523	570,051
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	295	468	108,238	109,001
Interfund payables	-	-	-	-	-
Deferred revenue:					
Succeeding year property tax	30,000	-	155,358	-	185,358
Total liabilities	30,000	295	155,826	108,238	294,359
Fund balances:					
Unreserved fund balance	40,702	86,497	50,208	98,285	275,692
Total liabilities and fund balances	70,702	86,792	206,034	206,523	570,051

VENTURA 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	
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	40,023	-	163,063	215,878	418,964
Other	-	146,175	1,103	-	147,278
State sources	-	-	4,250	-	4,250
Total revenues	<u>40,023</u>	<u>146,175</u>	<u>168,416</u>	<u>215,878</u>	<u>570,492</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	12,137	-	-	-	12,137
Other instruction	-	136,218	-	-	136,218
Support services:					
Student services	265	-	-	-	265
Instructional staff services	531	-	-	-	531
Administration services	974	-	-	-	974
Operation and maintenance of plant services	18,307	-	-	-	18,307
Transportation services	7,709	-	-	-	7,709
Other expenditures:					
Facilities acquisition	-	-	24,931	117,593	142,524
Total expenditures	<u>39,923</u>	<u>136,218</u>	<u>24,931</u>	<u>117,593</u>	<u>318,665</u>
Excess (deficiency) of revenues over (under) expenditures	100	9,957	143,485	98,285	251,827
Other financing sources (uses):					
Proceeds from long-term loans					-
Operating transfers out	-	-	(98,390)	-	(98,390)
Net change in fund balances	100	9,957	45,095	98,285	153,437
Fund balances beginning of year, as restated	<u>40,602</u>	<u>76,540</u>	<u>5,113</u>	<u>-</u>	<u>122,255</u>
Fund balances end of year	<u><u>40,702</u></u>	<u><u>86,497</u></u>	<u><u>50,208</u></u>	<u><u>98,285</u></u>	<u><u>275,692</u></u>

VENTURA 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	Balance End of Year
	\$	\$	\$	\$
Annual	5,195	8,856	13,597	454
Art club	130	291	136	285
Athletic fund	33,755	35,003	38,676	30,082
Athletic resale	3,736	14,211	14,784	3,163
Band	2,323	23,409	10,071	15,661
Band resale	(298)	1,622	1,261	63
Candy sales	4,629	3,346	3,280	4,695
Chili supper	3,596	715	1,015	3,296
Class of 2003	564	-	564	-
Class of 2004	2,983	167	3,150	-
Class of 2005	566	13,491	11,717	2,340
Class of 2006	(71)	-	100	(171)
Class of 2008	-	400	-	400
Donations	1,039	16,219	10,069	7,189
Drill team	1,929	322	1,974	277
Dunk tank	106	-	-	106
FFA	3,680	18,770	21,142	1,308
Honor society	779	302	100	981
Little League	844	1,620	1,073	1,391
New Horizons	180	-	-	180
Pep club-senior high	563	3,060	2,692	931
Science club	1,563	-	-	1,563
SES	508	103	153	458
Spanish club	681	315	250	746
Stage fund-drama	1,136	1,385	1,152	1,369
Student senate	473	1,862	889	1,446
Interest	7,873	706	-	8,579
Beginning accruals	(1,922)	-	(1,922)	-
Ending accruals	-	-	295	(295)
	<u>76,540</u>	<u>146,175</u>	<u>136,218</u>	<u>86,497</u>
Total	<u>76,540</u>	<u>146,175</u>	<u>136,218</u>	<u>86,497</u>

VENTURA COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,206,522	1,903,807	1,813,069	1,763,647
Tuition	728,356	610,694	566,904	427,193
Other	262,933	239,524	183,121	160,981
State sources	572,729	610,517	651,633	730,851
Federal sources	82,396	78,724	35,441	25,811
Total revenues	<u>3,852,936</u>	<u>3,443,266</u>	<u>3,250,168</u>	<u>3,108,483</u>
Expenditures:				
Instruction:				
Regular instruction	1,505,131	1,435,551	1,275,811	1,224,820
Special instruction	222,517	238,305	208,434	171,586
Other instruction	376,163	332,391	342,040	280,190
Support services:				
Student services	46,734	36,859	35,046	35,228
Instructional staff services	121,566	115,816	87,437	80,876
Administration services	409,982	375,628	322,801	301,612
Operation and maintenances of plant services	243,204	261,546	219,679	192,742
Transportation services	102,768	117,658	125,753	164,953
Non-instructional programs	8,988	424	1,137	178
Other expenditures:				
Facilities acquisition	142,524	41,414	27,566	20,385
Long-term debt:				
Principal	300,711	270,000	285,000	282,776
Interest and other charges	58,204	68,008	80,058	94,102
AEA flowthrough	77,919	83,379	83,860	88,581
Total expenditures	<u>3,616,411</u>	<u>3,376,979</u>	<u>3,094,622</u>	<u>2,938,029</u>

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

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

We have audited the financial statements of the Ventura Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated December 3, 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 Ventura Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

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

Internal Control over Financial Reporting

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

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

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

[December 3, 2004](#)

VENTURA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ending 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 procedures to obtain the maximum internal control possible under the circumstances.

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

04-I-B Supporting Documentation: We noted one payment from the Student Activity Fund and one credit card payment from the General Fund that did not have detailed supporting documentation

Recommendation: All payments, from all funds, should be supported by invoices, receipts, entry forms, contracts, or other detailed documentation.

District Response: We will review our policies and make any necessary adjustments.

Conclusion: Response accepted.

VENTURA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ending June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

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

04-II-B Certified Budget: Disbursements for the year ended June 30, 2004, exceeded the amounts budgeted in the **non-instructional programs** and **other expenditures** functional areas.

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 budgeted amounts.

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: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
Debora Cash, school board member, bank officer, and insurance sales	District insurance policy	33,987

We noted no specific conflicts of interest with the board member being a bank officer, however the District should be aware of the potential for conflicts of interest when dealing with banking issues and when approving contracts with suppliers and service providers.

The transaction with a board member who is also the District's insurance agent appears to represent a conflict of interest since the dollar amount was more than \$2,500 and bids were not taken.

Recommendation: The District should consult with its attorney about these issues before doing any business with board members.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

VENTURA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ending June 30, 2004

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

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

04-II-G Board Minutes: **Except as explained in comment 04-II-K**, we noted no transactions requiring Board approval that had not been approved by the Board.

04-II-H Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education on Line 1 of the Certified Enrollment Certification Form for September 2003, was **overstated** by **six** students and the calculation for supplemental weighting on line twelve included one open enrollment in student.

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

District Response: We will contact these departments.

Conclusion: Response accepted.

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

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

04-II-K Internal Service Fund Expenditure Procedures: All public funds are the legal responsibility of the board, board secretary and board treasurer. All public funds have the same legal requirements for accounting, reporting, auditing and allowing, dual signatures, publishing and investing. We noted that the Internal Service Fund was not following the statutory requirements for board approval prior to disbursement, publication of bills paid and dual signatures by board secretary and board president on checks.

Recommendation: The District should implement procedures to ensure compliance with statutory requirements for disbursements in the Internal Service Fund.

District Response: The District will pursue the auditor's recommendation.

Conclusion: Response accepted.

04-II-L Allocation of Interest: We noted that interest from a pooled bank account is not being allocated to the **Management and Capital Projects** Funds.

Recommendation: The District should allocate interest revenue to each fund within a pooled bank account.

District Response: We will review our procedures and make any necessary adjustments.

Conclusion: Response accepted.

VENTURA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ending June 30, 2004

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

04-II-M Sale of Property: During the year ended June 30, 2004 the District sold certain computers. The District did not publish notice of the sale for two consecutive weeks in accordance with Chapter 297.22 of the Code of Iowa.

Recommendation: The District should publish the required notices for sale of District property.

District Response: We will comply with Chapter 297.22 of the Code of Iowa in the future.

Conclusion: Response accepted.

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

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

District Response: We will do this in the future.

Conclusion: Response accepted.