

BENTON COMMUNITY SCHOOL DISTRICT  
VAN HORNE, IOWA

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

JUNE 30, 2005

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BENTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2004 Election)		
George Martin	President	2004
Connie Jacobsen	Vice President	2004
Brenda Schanbacher	Board Member	2004
Gary Kaiser	Board Member	2005
Terry Harrington	Board Member	2006
Chris Christensen	Board Member	2006
Brian Strellner	Board Member (appointed 11-19-03)	2005
<u>Board of Education</u>		
(After September 2004 Election)		
George Martin	President	2007
Brenda Schanbacher	Vice President	2007
Gary Kaiser	Board Member	2005
Terry Harrington	Board Member	2006
Chris Christensen	Board Member	2006
Brian Strellner	Board Member	2005
Dan Voss	Board Member	2007
<u>School Officials</u>		
Gary Zittergruen	Superintendent	2005
Don Gibney	District Secretary	2005
Barb Barr	District Treasurer	2005
Brian Gruhn	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Benton Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Benton Community School District, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards 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 that 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, business-type activities, each major fund, and the aggregate remaining fund information of Benton Community School District as of June 30, 2005, 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.

In accordance with Government Auditing Standards, we have also issued our report dated September 7, 2005 on our consideration of Benton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 13 and 46 through 47 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 required 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 Benton 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, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in 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.

Oskaloosa, Iowa  
September 7, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS 2005

This section of the Benton Community School District's annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ending on June 30, 2005. Our analysis will focus on the District's financial performance as a whole for the fiscal year 2004-2005.

This is the third year that all District financial activities are reported on a full accrual basis, and comparisons with prior year will be made when appropriate. Efforts have been made to provide comparison data from the prior year when such data is required. In subsequent years, with additional data, five-year trends will be provided for District financial information.

Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

### Fiscal 2005 Financial Highlights

- ◆ General Fund revenue increased from \$ 11,345,683 in fiscal 2004 to \$ 11,588,946 in fiscal 2005 while General Fund expenditures increased from \$ 11,246,233 in fiscal 2004 to \$ 11,756,969 in fiscal 2005. This resulted in an overall change in the District's General Fund balance from \$ 2,703,015 in fiscal 2004 to \$ 2,534,992 in fiscal 2005, a planned moderate decrease from the prior fiscal year.
- ◆ The increase in General Fund revenues was attributable to an increase in local property tax collections as well as state and federal program revenue in fiscal 2005. In addition 2005 was the third year of the District Instructional Support Levy, funded by a mixture of Income-surtax, local property tax and State Aid. The levy is scheduled to provide 345,504 dollars for District identified purchases. The increase in expenditures was due primarily to an increase in personnel costs due to negotiated salary and benefit agreements and increased accounts payable expenditures. The District also increased employees in Fiscal 2005 compared to fiscal 2004.
- ◆ The District began collecting one-cent sales tax revenue from Benton and Tama Counties during the 2004-2005 fiscal year. Iowa County approved the sales tax during the fiscal year and will begin collection for the 2006 fiscal year. The revenue will be used to reduce debt.
- ◆ Low interest rates during the fiscal year resulted in a small increase in General Fund interest earnings on investments. In fiscal 2004 the District earned \$ 24,581 on investments. In fiscal year 2005 the District earned \$ 29,022 on investments, an 18 percent increase.
- ◆ The District completed a Capital Projects Fund project an extensive, multi-year, renovation project the Middle / High School Building exterior.

### Overview of 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 District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

- ◆ The statements for governmental funds explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- ◆ The statements for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services, latchkey and preschool.
- ◆ The statements for fiduciary funds provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

## District Wide Statements

The District-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 expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-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 the District's 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, the condition of school buildings and facilities and student enrollment trends.

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

- ◆ **Governmental funds:** 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 funds:** The District charges fees to help cover the cost of certain services it provides. The District school nutrition program would be included here.

## Fund Financial Statements

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

- ◆ 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.

## **Benton Community School District has three types 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, which 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 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 District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
  - ◆ The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Permanent Fund.
  
- ◆ **Proprietary funds:** Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
  - ◆ The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the school nutrition program and preschool program.
  
- ◆ **Fiduciary funds:** The District is trustee, or fiduciary, for assets that belong to others. These funds include Agency funds.
  - ◆ **Agency Fund:** These are either funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts, or certain revenue collected from District employee purchases of pop and related expenditures.

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

## Financial Analysis of the District as a Whole

**Net assets:** Figure A-1 provides a summary of the District's net assets for fiscal years ended June 30, 2004 and June 30, 2005.

**Figure A-1 Statement of Net Assets**

	Governmental Activities	Business-type Activity	School District	Government Activities	Business Activities	School District	Change
	2004	2004	2004	2005	2005	2005	
Current /other assets	10,325,663	74,933	10,400,596	10,030,775	82,811	10,113,586	-287,010
Capital Assets	6,859,250	33,197	6,892,447	8,053,108	37,901	8,091,009	1,198,562
<b>Total Assets</b>	<b>17,184,913</b>	<b>108,130</b>	<b>17,293,043</b>	<b>18,083,883</b>	<b>120,712</b>	<b>18,204,595</b>	<b>911,552</b>
Long-term obligations	3,490,000	0	3,490,000	3,445,000	0	3,445,000	-45,000
Other liabilities	5,127,327	7,732	5,135,059	5,328,392	11,092	5,339,484	204,425
<b>Total Liabilities</b>	<b>8,617,327</b>	<b>7,732</b>	<b>8,625,059</b>	<b>8,773,392</b>	<b>11,092</b>	<b>8,784,484</b>	<b>159,425</b>
<b>Net Assets:</b>							
Invested in capital Assets, net of debt	4,679,733	33,197	4,712,930	4,608,108	37,901	4,646,009	-66,921
Restricted	1,072,941	0	1,072,941	2,076,304	0	2,076,304	1,003,363
Unrestricted	2,814,912	67,201	2,882,113	2,626,079	71,719	2,697,798	-184,315
<b>Total Net Assets</b>	<b>8,567,586</b>	<b>100,398</b>	<b>8,667,984</b>	<b>9,310,491</b>	<b>109,620</b>	<b>9,420,111</b>	<b>752,127</b>

**Changes in net assets:** Figure A-2 shows the changes in net assets for the years ending June 30, 2004 and June 30, 2005.

**Figure A-2 Changes in Net Assets**

	Government Activities 2004	Business Activities 2004	School District 2004	Government Activities 2005	Business Activities 2005	School District 2005	Change
<b>Revenues:</b>							
<b>Program Revenue:</b>							
Charge for service / sales	1,037,124	467,574	1,504,698	1,055,237	516,690	1,571,927	67,229
Operating grants, restricted interest	1,122,030	178,472	1,300,502	1,106,928	177,220	1,284,148	-16,354
Capital grants, and restricted interest	50,000	0	50,000	0	0	0	-50,000
<b>General Revenues:</b>							
Property tax, other taxes	4,665,225	0	4,665,225	5,703,701	0	5,703,701	1,038,476
Unrestricted state grants	5,476,390	0	5,476,390	5,704,919	0	5,704,919	228,529
Unrestricted investments	49,059	407	49,466	40,722	629	41,351	-8,115
Other	273,716	0	273,716	4,580	0	4,580	-269,136
<b>Total revenues</b>	<b>12,673,544</b>	<b>646,453</b>	<b>13,319,997</b>	<b>13,616,087</b>	<b>694,539</b>	<b>14,310,626</b>	<b>990,629</b>
<b>Program Expenses:</b>							
<b>Governmental activities</b>							
Instruction	7,927,841	0	7,927,841	8,197,234	0	8,197,234	269,393
Support services	3,669,898	0	3,669,898	3,685,412	0	3,685,412	15,514
Non-instruction Programs	0	642,883	642,883	0	685,317	685,317	0
Other expenses	836,856	0	836,856	990,536	0	990,536	153,680
<b>Total expenses</b>	<b>12,434,595</b>	<b>642,883</b>	<b>13,077,478</b>	<b>12,873,182</b>	<b>685,317</b>	<b>13,558,499</b>	<b>481,021</b>
<b>Change in net assets:</b>	<b>238,949</b>	<b>3,570</b>	<b>242,519</b>	<b>742,905</b>	<b>9,222</b>	<b>752,127</b>	<b>509,608</b>

District Restricted Net Assets, Total Net Assets and Tax Revenues increased significantly over the prior year due to the fact that this was the first year of collection for the local option sales and service tax. This money will be used in future years for debt reduction and infrastructure projects.

Property tax and unrestricted state grants account for 79.72% of the District's total revenue. The District's expenses primarily relate to instruction and support services, which account for 87.64% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$ 13,616,087 and expenses were \$ 12,873,182. In fiscal 2005, the District attempted to balance revenues and expenses for most Governmental Funds, excluding the Capital Projects Fund. Particular attention was given to the District General Fund.

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

### Figure A-3 Total Net Cost of Governmental Activities

Figure A-3 shows the changes in Net costs for the years ending June 30, 2004 and June 30, 2005.

	<b>Cost of Services</b>	<b>Net Cost of Services</b>	<b>Cost of Services</b>	<b>Net Cost of Services</b>	<b>Change</b>
	<b>2004</b>	<b>2004</b>	<b>2005</b>	<b>2005</b>	
Instruction	7,927,841	6,393,451	8,197,234	6,630,128	236,677
Support services	3,669,898	3,479,043	3,685,412	3,567,640	88,597
Non-instructional programs	0	0		0	0
Other expenses	836,856	352,947	990,536	513,249	160,302
<b>Total</b>	<b>12,434,595</b>	<b>10,225,441</b>	<b>12,873,182</b>	<b>10,711,017</b>	<b>485,576</b>

- ◆ The cost financed by users of District's programs was \$1,055,237.
- ◆ Federal and state government subsidized certain programs with grants and contributions totaling \$ 1,106,928
- ◆ The net cost of governmental activities was financed with \$ 5,703,701 in property tax and other taxes, \$ 5,704,919 in state foundation aid and \$ 40,722 in interest income.

## Business -Type Activities

Revenues for the District's business-type activities were \$694,539 and expenses were \$685,317. The District's business-type activities include the School Nutrition Fund, Latch key and preschool programs. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

During the year ended June 30, 2005, the district increased its meal prices and preschool fees. This increase resulted in increased revenue to the School Nutrition Fund and Preschool/Daycare Fund, which the District has obligated for updating computers and software and salaries for preschool personnel.

## Financial Analysis of the District's Funds

As previously noted, the Benton 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 the District completed the year, its governmental funds reported combined fund balances of \$ 4,360,884 a decrease over last year's ending fund balance of \$ 4,946,442. The primary reason for the planned decrease in combined fund balances in fiscal 2005 was due to the completion of the Capital Projects building improvements, and the expenditures related to Instructional Support and voted PPEL Levies.

### **Governmental Fund Highlights**

- ◆ The District's General Fund financial position is the product of many factors. The Instructional Support Levy, taxes and grants resulted in a moderate increase in revenues. The increase in revenues was coupled with a larger than usual increase in General Fund expenditures. These conditions resulted in a small decrease in the District's carry over fund balance.
- ◆ The General Fund balance decreased from \$ 2,703,015 to \$ 2,534,992 due to personnel costs for the 2004-05 fiscal year and an increase in controlled expenditures for the year. In addition 2004-2005 was the second year for a District Instructional Support Levy, causing additional expenditures.
- ◆ The Physical Plant and Equipment Levy (PPEL) Fund balance increased in 2004-2005. The Fund balance increased from \$ 669,665 in fiscal 2004 to 765,333 in fiscal 2005. A five-year voted PPEL Levy, and funds held in reserve to support the Middle/High School retrofit project were the reason for the Fund balance increase.
- ◆ The District Capital Projects Account maintained a balance of \$888,808 on June 30, 2005. This balance is a combination of One-cent sales tax money collections and retainage related to the Middle/High School building project.

### **Proprietary Fund Highlights**

The School Nutrition Fund had net assets of \$112,644 on June 30, 2005. As previously noted, the District increased meal prices resulting in the increase in net assets. The District also revamped its Nutrition accounting system and software in 2005.

### **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following the required public notice and hearing for all funds, except its 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 GAAP 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. Since the District does not adopt a budget for individual funds; budgets for the General Fund and Major Special Revenue Funds are not presented on the budgetary comparison pages.

## Legal Budgetary Highlights

The District's total actual revenues were \$14,277,231, \$266,946 more than the total budget revenues amount of 14,010,285, a variance of 1.90 percent. The most significant change resulted in the District receiving additional revenue in the one-cent Sales Tax collections. Total expenditures were less than budgeted amount due primarily to the District's amount allocated for the General Fund. It is the District's practice to budget expenditures at an amount that exceeds projected expenditures for the coming fiscal but is less than the maximum allowed by law. The District then manages or controls General Fund spending through a line-item budget at the building level. As a result the District's certified budget should always exceed the actual expenditures during the fiscal year.

In spite of the District's budgetary practice, the certified budget was exceeded in the Other Expenditures function area due to the timing of disbursements paid at year-end for Capital Projects and PPEL purchases, without sufficient time to amend the certified budget.

## Capital Assets and Debt Administration

### Capital Assets

On June 30, 2005, the District had invested \$8,091,009 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, transportation equipment, computers, and audio-visual equipment. (See Figure A-4) This amount represents a net increase from the last fiscal year. More detailed information about capital assets is available in the financial statements. Depreciation expense for the year was \$ 349,187.

Excluding depreciation, the District has over fifteen million dollars in capital assets. Governmental Funds account for the majority of District's capital assets with the remainder in the Proprietary, School Nutrition Fund.

**Figure A-4  
Capital Assets, Net of Depreciation**

Figure A-4 shows the changes in Capital Assets for the years ending June 30, 2004 and June 30, 2005.

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>School District</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>School District</b>
	<b>2004</b>	<b>2004</b>	<b>2004</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>
Land	63,056	0	63,056	63,056	0	63,056
Const. In Progress	1,986,171	0	1,986,171	3,182,567	0	3,182,567
Total	2,049,227		2,049,227	3,245,623		3,245,623
Buildings	4,019,984	0	4,019,984	4,008,325	0	4,008,325
Improv. Other Build	72,782	0	1,986,171	83,934	0	83,934
Furniture/Equip	717,257	33,197	750,454	715,226	37,901	753,127
Total	4,810,023			4,807,485	37,901	4,845,386
Totals	6,859,250	33,197	6,892,447	8,053,108	37,901	8,091,009

## **Long-Term Debt**

On June 30, 2005, the District had \$ 3,445,000 in general obligation and other long-term debt outstanding. This represents a decrease of forty-five thousand dollars from the 2004 fiscal year. The District issued \$3,280,000 additional long-term debt in the 2004 fiscal year. The funds are being used to finance a significant building exterior and roof retrofit project at the Middle / High School building

## **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:

- ◆ Although the District has experienced declining enrollment for two of the past three years, the District expects a stable to increasing enrollment in future years due to a new housing development in progress within the District.
- ◆ The District has evaluated the condition of its transportation vehicles and determined that due to rotation schedules, two buses and two vans must be replaced during fiscal 2006 at a cost of \$ 145,000. To pay for these vehicles the District will use a combination of General Fund and PPEL Fund resources.
- ◆ The District will negotiate a new labor contract in 2006 with its employee groups. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and reserve fund balance.

## **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 Don Gibney, District Secretary and Business Manager, Benton Community School District, 304 First Street, PO Box 70, Van Horne, Iowa 52346-0070.

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## Basic Financial Statements

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 4,963,305	\$ 60,378	\$ 5,023,683
Receivables:			
Property tax:			
Current year	24,943	-	24,943
Succeeding year	4,116,705	-	4,116,705
Income surtax	365,608	-	365,608
Accounts	113	-	113
Due from other governments	540,105	-	540,105
Interfund balances (note 3)	1,305	(1,305)	-
Inventories	14,870	23,738	38,608
Prepaid expenses	3,821	-	3,821
Capital assets, net of accumulated depreciation (note 4)	8,053,108	37,901	8,091,009
	<hr/>	<hr/>	<hr/>
Total assets	18,083,883	120,712	18,204,595
Liabilities			
Accounts payable	288,621	-	288,621
Salaries and benefits payable	898,957	2,851	901,808
Accrued interest payable	24,109	-	24,109
Deferred revenue:			
Succeeding year property tax	4,116,705	-	4,116,705
Other	-	8,241	8,241
Long-term liabilities (note 5):			
Portion due within one year:			
Bonds payable	125,000	-	125,000
Portion due after one year:			
Bonds payable	3,320,000	-	3,320,000
	<hr/>	<hr/>	<hr/>
Total liabilities	8,773,392	11,092	8,784,484

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 4,608,108	\$ 37,901	\$ 4,646,009
Restricted for:			
Physical plant and equipment levy	1,009,072	-	1,009,072
Other special revenue purposes	158,943	-	158,943
Capital projects	888,808	-	888,808
Baseball program	14,865	-	14,865
State grants	4,616	-	4,616
Unrestricted	<u>2,626,079</u>	<u>71,719</u>	<u>2,697,798</u>
Total net assets	<u>\$ 9,310,491</u>	<u>\$ 109,620</u>	<u>\$ 9,420,111</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental Activities:</b>				
Instruction:				
Regular instruction	\$ 5,249,009	\$ 465,944	\$ 347,668	\$ -
Special instruction	1,677,461	165,820	142,501	-
Other instruction	1,270,764	420,484	24,689	-
	<u>8,197,234</u>	<u>1,052,248</u>	<u>514,858</u>	<u>-</u>
Support services:				
Student services	236,472	-	76,840	-
Instructional staff services	357,140	-	-	-
Administration services	1,112,245	-	-	-
Operation and maintenance of plant services	1,183,853	2,989	37,943	-
Transportation services	795,702	-	-	-
	<u>3,685,412</u>	<u>2,989</u>	<u>114,783</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	156,811	-	-	-
Long-term debt interest and fiscal charges	147,036	-	-	-
AEA flowthrough	477,287	-	477,287	-
Depreciation (unallocated) *	209,402	-	-	-
	<u>990,536</u>	<u>-</u>	<u>477,287</u>	<u>-</u>
Total governmental activities	12,873,182	1,055,237	1,106,928	-
<b>Business-Type Activities:</b>				
Non-instructional programs:				
Food service operations	592,762	427,856	177,220	-
Daycare operations	92,555	88,834	-	-
Total business-type activities	<u>685,317</u>	<u>516,690</u>	<u>177,220</u>	<u>-</u>
Total	<u>\$ 13,558,499</u>	<u>\$ 1,571,927</u>	<u>\$ 1,284,148</u>	<u>\$ -</u>

Net (Expense) Revenue  
and Changes in Net Assets

---

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (4,435,397)	\$ -	\$ (4,435,397)
(1,369,140)	-	(1,369,140)
(825,591)	-	(825,591)
<u>(6,630,128)</u>	<u>-</u>	<u>(6,630,128)</u>
(159,632)	-	(159,632)
(357,140)	-	(357,140)
(1,112,245)	-	(1,112,245)
(1,142,921)	-	(1,142,921)
(795,702)	-	(795,702)
<u>(3,567,640)</u>	<u>-</u>	<u>(3,567,640)</u>
(156,811)	-	(156,811)
(147,036)	-	(147,036)
-	-	-
(209,402)	-	(209,402)
<u>(513,249)</u>	<u>-</u>	<u>(513,249)</u>
(10,711,017)	-	(10,711,017)
-	12,314	12,314
-	(3,721)	(3,721)
-	<u>8,593</u>	<u>8,593</u>
<u>(10,711,017)</u>	<u>8,593</u>	<u>(10,702,424)</u>

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2005

Functions/Programs

General Revenues:

Property tax 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

Net assets end of year

\* = This amount excludes the depreciation that is included  
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

---

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$	4,145,845	\$ -	\$ 4,145,845
	152,202	-	152,202
	303,296	-	303,296
	400,680	-	400,680
	701,678	-	701,678
	5,704,919	-	5,704,919
	40,722	629	41,351
	4,580	-	4,580
	<hr/> 11,453,922	629	11,454,551
	742,905	9,222	752,127
	<hr/> 8,567,586	100,398	8,667,984
\$	<u><u>9,310,491</u></u>	<u><u>\$ 109,620</u></u>	<u><u>\$ 9,420,111</u></u>

BENTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2005

	<u>General</u>	<u>Special Revenue Physical Plant and Equipment Levy</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and pooled investments	\$ 3,436,989	\$ 842,744	\$ 683,399	\$ 4,963,132
Receivables:				
Property tax:				
Current year	13,860	5,363	5,720	24,943
Succeeding year	3,656,884	261,132	198,689	4,116,705
Income surtax	121,869	243,739	-	365,608
Interfund receivable (note 3)	10,332	-	-	10,332
Accounts	113	-	-	113
Due from other governments	159,811	-	380,294	540,105
Inventories	14,870	-	-	14,870
Prepaid expenses	3,821	-	-	3,821
	<u>7,418,549</u>	<u>1,352,978</u>	<u>1,268,102</u>	<u>10,039,629</u>
Total assets	\$ <u>7,418,549</u>	\$ <u>1,352,978</u>	\$ <u>1,268,102</u>	\$ <u>10,039,629</u>

BENTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2005

	<u>General</u>	<u>Special Revenue Physical Plant and Equipment Levy</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 205,847	\$ 82,774	\$ -	\$ 288,621
Salaries and benefits payable	898,957	-	-	898,957
Interfund payable (note 3)	-	-	8,854	8,854
Deferred revenue:				
Succeeding year property tax	3,656,884	261,132	198,689	4,116,705
Other	121,869	243,739	-	365,608
<b>Total liabilities</b>	<u>4,883,557</u>	<u>587,645</u>	<u>207,543</u>	<u>5,678,745</u>
<b>Fund balance:</b>				
Reserved for:				
Inventories	14,870	-	-	14,870
State grants	4,616	-	-	4,616
Debt service	-	-	2,098	2,098
Baseball program	-	-	14,865	14,865
Unreserved:				
Reported in nonmajor Special Revenue Funds	-	-	154,788	154,788
Undesignated	2,515,506	765,333	888,808	4,169,647
<b>Total fund balances</b>	<u>2,534,992</u>	<u>765,333</u>	<u>1,060,559</u>	<u>4,360,884</u>
<b>Total liabilities and fund balances</b>	<u>\$ 7,418,549</u>	<u>\$ 1,352,978</u>	<u>\$ 1,268,102</u>	<u>\$ 10,039,629</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2005

Total fund balances of governmental funds	\$ 4,360,884
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.	8,053,108
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	365,608
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.	(24,109)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,445,000)</u>
Net assets of governmental activities	<u>\$ 9,310,491</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2005

	General	Special Revenue Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 4,099,988	\$ 547,882	\$ 1,018,439	\$ 5,666,309
Tuition	394,057	-	-	394,057
Other	127,641	6,174	420,701	554,516
Intermediate sources	31,116	-	-	31,116
State sources	6,660,415	271	279	6,660,965
Federal sources	275,729	-	-	275,729
Total revenues	<u>11,588,946</u>	<u>554,327</u>	<u>1,439,419</u>	<u>13,582,692</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	5,241,134	-	-	5,241,134
Special instruction	1,677,461	-	-	1,677,461
Other instruction	870,802	-	402,446	1,273,248
	<u>7,789,397</u>	<u>-</u>	<u>402,446</u>	<u>8,191,843</u>
Support services:				
Student services	236,472	-	-	236,472
Instructional staff services	361,657	-	-	361,657
Administration services	1,098,878	-	7,524	1,106,402
Operation and maintenance of plant services	1,036,875	132,009	166,429	1,335,313
Transportation services	756,403	-	-	756,403
	<u>3,490,285</u>	<u>132,009</u>	<u>173,953</u>	<u>3,796,247</u>
Other expenditures:				
Facilities acquisition	-	326,650	1,127,977	1,454,627
Long term debt:				
Principal	-	-	45,000	45,000
Interest and fiscal charges	-	-	203,246	203,246
AEA flowthrough	477,287	-	-	477,287
	<u>477,287</u>	<u>326,650</u>	<u>1,376,223</u>	<u>2,180,160</u>
Total expenditures	<u>11,756,969</u>	<u>458,659</u>	<u>1,952,622</u>	<u>14,168,250</u>

BENTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2005

	<u>General</u>	<u>Special Revenue Physical Plant and Equipment Levy</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (168,023)	\$ 95,668	\$ (513,203)	\$ (585,558)
Fund balances beginning of year	<u>2,703,015</u>	<u>669,665</u>	<u>1,573,762</u>	<u>4,946,442</u>
Fund balances end of year	<u>\$ 2,534,992</u>	<u>\$ 765,333</u>	<u>\$ 1,060,559</u>	<u>\$ 4,360,884</u>

See notes to financial statements.

## BENTON 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, 2005

Net change in fund balances - total governmental funds \$ (585,558)

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 reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

	Capital outlays	\$ 1,536,754	
	Depreciation expense	<u>(342,896)</u>	1,193,858

Certain income surtax not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the statement of activities. 33,395

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 45,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 56,210

Change in net assets of governmental activities \$ 742,905

See notes to financial statements.

## BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

June 30, 2005

	<u>School Nutrition</u>	<u>Nonmajor- Preschool Daycare</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 60,551	\$ -	\$ 60,551
Inventories	23,738	-	23,738
Capital assets, net of accumulated depreciation	37,901	-	37,901
Total assets	<u>122,190</u>	<u>-</u>	<u>122,190</u>
Liabilities			
Salaries and benefits payable	-	2,851	2,851
Interfund payable (note 3)	1,305	173	1,478
Deferred revenue	8,241	-	8,241
Total liabilities	<u>9,546</u>	<u>3,024</u>	<u>12,570</u>
Net Assets			
Invested in capital assets	37,901	-	37,901
Unrestricted	74,743	(3,024)	71,719
Total net assets	<u>\$ 112,644</u>	<u>\$ (3,024)</u>	<u>\$ 109,620</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2005

	<u>School Nutrition</u>	<u>Nonmajor- Preschool Daycare</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for services	\$ 427,856	\$ 88,834	\$ 516,690
Operating expenses:			
Non-instructional programs:			
Food and community services operations:			
Salaries	252,913	80,459	333,372
Benefits	35,534	10,679	46,213
Purchased services	10,143	-	10,143
Supplies	286,281	1,417	287,698
Depreciation	6,291	-	6,291
Other	1,600	-	1,600
	<u>592,762</u>	<u>92,555</u>	<u>685,317</u>
Operating loss	<u>(164,906)</u>	<u>(3,721)</u>	<u>(168,627)</u>
Non-operating revenues:			
Interest on investments	629	-	629
State sources	7,937	-	7,937
Federal sources	169,283	-	169,283
Total non-operating revenues	<u>177,849</u>	<u>-</u>	<u>177,849</u>
Change in net assets	12,943	(3,721)	9,222
Net assets beginning of year	<u>99,701</u>	<u>697</u>	<u>100,398</u>
Net assets end of year	<u>\$ 112,644</u>	<u>\$ (3,024)</u>	<u>\$ 109,620</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2005

	School Nutrition	Nonmajor- Preschool Daycare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 417,669	\$ -	\$ 417,669
Cash received from miscellaneous operating activities	13,445	88,834	102,279
Cash payments to employees for services	(287,142)	(91,036)	(378,178)
Cash payments to suppliers for goods or services	(258,227)	(1,417)	(259,644)
Net cash used in operating activities	<u>(114,255)</u>	<u>(3,619)</u>	<u>(117,874)</u>
Cash flows from non-capital financing activities:			
State grants received	7,937	-	7,937
Federal grants received	133,111	-	133,111
Net cash provided by non-capital financing activities	<u>141,048</u>	<u>-</u>	<u>141,048</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(10,995)</u>	<u>-</u>	<u>(10,995)</u>
Cash flows from investing activities:			
Interest on investments	<u>629</u>	<u>-</u>	<u>629</u>
Net increase (decrease) in cash and cash equivalents	16,427	(3,619)	12,808
Cash and cash equivalents beginning of year	<u>44,124</u>	<u>3,446</u>	<u>47,570</u>
Cash and cash equivalents end of year	<u>\$ 60,551</u>	<u>\$ (173)</u>	<u>\$ 60,378</u>

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2005

	<u>School Nutrition</u>	<u>Nonmajor- Preschool Daycare</u>	<u>Total</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (164,906)	\$ (3,721)	\$ (168,627)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	6,291	-	6,291
Commodities used	36,172	-	36,172
Decrease in inventories	3,625	-	3,625
Increase in salaries and benefits payable	-	102	102
Increase in interfund payable	1,305	-	1,305
Increase in deferred revenue	3,258	-	3,258
Net cash used in operating activities	<u>\$ (114,255)</u>	<u>\$ (3,619)</u>	<u>\$ (117,874)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$36,172 of federal commodities in the School Nutrition Fund.

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2005

	<u>Agency</u>
Assets:	
Cash	\$ <u>4,215</u>
Liabilities:	
Other payables	\$ <u>4,215</u>

See notes to financial statements.

## BENTON COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2005

#### Note 1. Summary of Significant Accounting Policies

Benton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Van Horne, Atkins, Blairstown, Elberon, Watkins, and Walford, Iowa, and the agricultural territory in Benton, Iowa, and Tama 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, Benton 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. Benton Community School District has no component units which 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 Benton and Iowa County Assessor's Conference Boards.

#### B. Basis of Presentation

District-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.

BENTON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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 which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are 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 that are 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 District-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 other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main 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 expenses, including instructional, support and other costs.

The Special Revenue, Physical Plant and Equipment Levy Fund is used to account for the payment of capital and related expenditures for building improvements and certain types of equipment.

The District reports the following major proprietary fund:

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

BENTON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under 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.

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

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

BENTON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and 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 that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. 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 to the County Auditor by April 15 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 District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2005 will not be received by the District until the fiscal year ending June 30, 2006. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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.

BENTON COMMUNITY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for 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 District-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 repairs 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.

Asset Class	Amount
Land	\$ 5,000
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 of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	45 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenses 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 collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse employees for unused vacation or sick leave. The District has no compensated absences liability at June 30, 2005.

Long-term Liabilities – In the District-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 Balances – 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.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

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

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, expenditures in the other expenditures function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 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.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 2. Cash and Pooled Investments (continued)

Interest rate risk – The District’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Note 3. Interfund Receivables and Payables

At June 30, 2005, the interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Pooled cash balances:		
General	Special Revenue - Management Levy	\$ 7,183
General	Debt Service	594
General	Enterprise - Preschool Daycare	173
		<u>7,950</u>
Other receivables:		
General	Special Revenue - Student Activity	1,077
General	Enterprise - School Nutrition	1,305
		<u>2,382</u>
Total		<u>\$ 10,332</u>

Pooled cash balances are temporary financing between funds which is necessary due to timing of expected tax collections and daycare revenues. These balances are not included on the government-wide statement of net assets.

Other receivable interfund balances are due to timing differences involved in the reimbursement of payroll at year end to the General Fund. The balance between governmental funds is not included on the government-wide statement of net assets. The balance between governmental and proprietary funds has been eliminated on the face of the government-wide statement of net assets.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 63,056	\$ -	\$ -	\$ 63,056
Construction in progress	1,986,171	1,196,396	-	3,182,567
Total capital assets not being depreciated	<u>2,049,227</u>	<u>1,196,396</u>	<u>-</u>	<u>3,245,623</u>
Capital assets being depreciated:				
Buildings	9,083,474	170,241	-	9,253,715
Improvements other than buildings	194,248	21,043	-	215,291
Furniture and equipment	2,288,289	149,074	107,122	2,330,241
Total capital assets being depreciated	<u>11,566,011</u>	<u>340,358</u>	<u>107,122</u>	<u>11,799,247</u>
Less accumulated depreciation for:				
Buildings	5,063,490	181,900	-	5,245,390
Improvements other than buildings	121,466	9,891	-	131,357
Furniture and equipment	1,571,032	151,105	107,122	1,615,015
Total accumulated depreciation	<u>6,755,988</u>	<u>342,896</u>	<u>107,122</u>	<u>6,991,762</u>
Total capital assets being depreciated, net	<u>4,810,023</u>	<u>(2,538)</u>	<u>-</u>	<u>4,807,485</u>
Governmental activities capital assets, net	<u>\$ 6,859,250</u>	<u>\$ 1,193,858</u>	<u>\$ -</u>	<u>\$ 8,053,108</u>

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 99,290	\$ 10,995	\$ 6,984	\$ 103,301
Less accumulated depreciation	<u>66,093</u>	<u>6,291</u>	<u>6,984</u>	<u>65,400</u>
Business-type activities capital assets, net	<u>\$ 33,197</u>	<u>\$ 4,704</u>	<u>\$ -</u>	<u>\$ 37,901</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular	\$ 7,875
Other	5,081

Support services:

Instructional staff	502
Administration	5,843
Operation and maintenance of plant services	5,887
Transportation	<u>108,306</u>

133,494

Unallocated depreciation

209,402

Total governmental activities depreciation expense

\$ 342,896

Business-type activities:

Food service operations	<u>\$ 6,291</u>
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BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	<u>General Obligation Bonds</u>
Balance beginning of year	\$ 3,490,000
Additions	-
Reductions	<u>45,000</u>
Balance end of year	<u>\$ 3,445,000</u>
Due within one year	<u>\$ 125,000</u>

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 5. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of November 1, 1993			
	Interest Rates	Principal	Interest	Total
2006	5.75 %	\$ 25,000	\$ 11,007	\$ 36,007
2007	5.90	30,000	9,570	39,570
2008	6.00	30,000	7,800	37,800
2009	6.00	30,000	6,000	36,000
2010	6.00	35,000	4,200	39,200
2011	6.00	35,000	2,100	37,100
Subtotal		185,000	40,677	225,677

Year Ending June 30,	Bond Issue of December 1, 2003			
	Interest Rates	Principal	Interest	Total
2006	4.000 %	\$ 100,000	\$ 133,645	\$ 233,645
2007	4.000	105,000	129,645	234,645
2008	4.375	110,000	125,445	235,445
2009	4.500	115,000	120,632	235,632
2010	4.500	120,000	115,458	235,458
2011	4.500	125,000	110,058	235,058
2012	3.375	170,000	104,432	274,432
2013	3.500	180,000	98,695	278,695
2014	3.700	185,000	92,395	277,395
2015	3.800	190,000	85,550	275,550
2016	3.900	200,000	78,330	278,330
2017	4.000	210,000	70,530	280,530
2018	4.100	215,000	62,130	277,130
2019	4.150	225,000	53,315	278,315
2020	4.250	235,000	43,977	278,977
2021	4.300	245,000	33,990	278,990
2022	4.400	260,000	23,455	283,455
2023	4.450	270,000	12,015	282,015
Subtotal		3,260,000	1,493,697	4,753,697
Total		\$ 3,445,000	\$ 1,534,374	\$ 4,979,374

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 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. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$467,640, \$444,481, and \$398,884 respectively, equal to the required contributions for each year.

Note 7. Risk Management

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

Note 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 \$477,287 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Construction Commitments

The District entered into various contracts totaling \$3,222,700 for middle school/high school renovations. At June 30, 2005 \$2,884,847 of the contracts were completed. The remaining amounts of the contracts will be paid as work on the projects progresses.

Note 10. Deficit Fund Balance

The Special Revenue, Management Levy Fund within the nonmajor governmental funds had a deficit fund balance of \$4,155 at June 30, 2005.

Required Supplementary Information

BENTON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances –  
 Budget and Actual (Accrual Basis) – All Governmental Funds  
 and Proprietary Funds  
 Required Supplementary Information  
 Year Ended June 30, 2005

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
<b>REVENUES:</b>					
Local sources	\$ 6,614,882	\$ 517,319	\$ 7,132,201	\$ 6,299,586	\$ 832,615
Intermediate sources	31,116	-	31,116	40,000	(8,884)
State sources	6,660,965	7,937	6,668,902	7,340,699	(671,797)
Federal sources	275,729	169,283	445,012	330,000	115,012
<b>Total revenues</b>	<b>13,582,692</b>	<b>694,539</b>	<b>14,277,231</b>	<b>14,010,285</b>	<b>266,946</b>
<b>EXPENDITURES:</b>					
Instruction	8,191,843	-	8,191,843	8,700,500	508,657
Support services	3,796,247	-	3,796,247	4,435,000	638,753
Non-instructional programs	-	685,317	685,317	690,000	4,683
Other expenditures	2,180,160	-	2,180,160	1,891,295	(288,865)
<b>Total expenditures</b>	<b>14,168,250</b>	<b>685,317</b>	<b>14,853,567</b>	<b>15,716,795</b>	<b>863,228</b>
Excess (deficiency) of revenues over (under) expenditures	(585,558)	9,222	(576,336)	(1,706,510)	1,130,174
Other financing uses	-	-	-	(152,447)	152,447
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(585,558)	9,222	(576,336)	(1,858,957)	1,282,621
Balance beginning of year	4,946,442	100,398	5,046,840	3,713,414	1,333,426
Balance end of year	\$ <u>4,360,884</u>	\$ <u>109,620</u>	\$ <u>4,470,504</u>	\$ <u>1,854,457</u>	\$ <u>2,616,047</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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 accrual basis. Encumbrances are not recognized on the 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.

During the year ended June 30, 2005, expenditures in the other expenditures function exceeded the amount budgeted.

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Other Supplementary Information

BENTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2005

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Capital Projects</u>
	<u>Management Levy</u>	<u>Student Activity</u>		
Assets				
Cash and pooled investments	\$ -	\$ 160,020	\$ -	\$ 508,514
Receivables:				
Property tax:				
Current year	3,028	-	2,692	-
Succeeding year	198,689	-	-	-
Due from other governments	-	-	-	380,294
	<hr/>			
Total assets	<u>\$ 201,717</u>	<u>\$ 160,020</u>	<u>\$ 2,692</u>	<u>\$ 888,808</u>
Liabilities and Fund Equity				
Liabilities:				
Interfund payable	\$ 7,183	\$ 1,077	\$ 594	\$ -
Deferred revenue:				
Succeeding year property tax	198,689	-	-	-
Total liabilities	<u>205,872</u>	<u>1,077</u>	<u>594</u>	<u>-</u>
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	2,098	-
Baseball program	-	-	-	-
Unreserved:				
Undesignated	(4,155)	158,943	-	888,808
Total fund equity	<u>(4,155)</u>	<u>158,943</u>	<u>2,098</u>	<u>888,808</u>
	<hr/>			
Total liabilities and fund equity	<u>\$ 201,717</u>	<u>\$ 160,020</u>	<u>\$ 2,692</u>	<u>\$ 888,808</u>

See accompanying independent auditor's report.

<u>Permanent Marjorie Smith Trust</u>	<u>Total</u>
\$ 14,865	\$ 683,399
-	5,720
-	198,689
-	380,294
<u>\$ 14,865</u>	<u>\$ 1,268,102</u>
\$ -	\$ 8,854
-	198,689
-	207,543
-	2,098
14,865	14,865
-	1,043,596
<u>14,865</u>	<u>1,060,559</u>
<u>\$ 14,865</u>	<u>\$ 1,268,102</u>

BENTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2005

	Special Revenue		Debt Service	Capital Projects
	Management Levy	Student Activity		
Revenues:				
Local sources:				
Local tax	\$ 164,695	\$ -	\$ 152,066	\$ 701,678
Other	1,430	413,747	506	4,624
State sources	143	-	136	-
Total revenues	<u>166,268</u>	<u>413,747</u>	<u>152,708</u>	<u>706,302</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	-	402,446	-	-
Support services:				
Administration services	7,524	-	-	-
Operation and maintenance of plant services	166,429	-	-	-
Other expenditures:				
Facilities acquisition	-	-	-	1,127,977
Long term debt:				
Principal	-	-	45,000	-
Interest and fiscal charges	-	-	203,246	-
Total expenditures	<u>173,953</u>	<u>402,446</u>	<u>248,246</u>	<u>1,127,977</u>
Excess (deficiency) of revenues over (under) expenditures	(7,685)	11,301	(95,538)	(421,675)
Fund balances beginning of year	<u>3,530</u>	<u>147,642</u>	<u>97,636</u>	<u>1,310,483</u>
Fund balances end of year	<u><u>\$ (4,155)</u></u>	<u><u>\$ 158,943</u></u>	<u><u>\$ 2,098</u></u>	<u><u>\$ 888,808</u></u>

See accompanying independent auditor's report.

<u>Permanent</u> <u>Marjorie</u> <u>Smith</u> <u>Trust</u>	<u>Total</u>
\$ -	\$ 1,018,439
394	420,701
-	279
<u>394</u>	<u>1,439,419</u>
-	402,446
-	7,524
-	166,429
-	1,127,977
-	45,000
-	203,246
<u>-</u>	<u>1,952,622</u>
394	(513,203)
<u>14,471</u>	<u>1,573,762</u>
<u>\$ 14,865</u>	<u>\$ 1,060,559</u>

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
General	\$ 1,317	\$ 705	\$ 1,654	\$ 368
Drama	3,125	6,857	6,042	3,940
Vocal	7,786	64,322	64,511	7,597
Instrumental	54	10,752	7,067	3,739
Industrial Tech. Project	740	2,611	1,863	1,488
Industrial Tech. Resale	424	3,217	3,641	-
Student Council	235	1,445	1,807	(127)
Media Club	1,221	284	-	1,505
Concessions	529	1	275	255
Yearbook	8,791	11,670	4,193	16,268
Art Club	240	2,746	2,947	39
Pom Pom	203	2,629	2,828	4
SADD	90	574	638	26
FFA	6,776	54,932	55,218	6,490
Spanish Club	14,058	9,149	5,320	17,887
National Honor Society	1,705	2,222	1,554	2,373
FHA	2,292	5,957	6,505	1,744
Wrestlerettes	45	-	-	45
Thespians	433	1,437	1,407	463
FFA - NE District	-	33	33	-
Class of 2003	1,873	-	1,873	-
Class of 2004	338	410	748	-
Class of 2005	1,587	2,999	3,331	1,255
Class of 2006	1,106	1,157	668	1,595
Class of 2007	1,299	1,344	51	2,592
Class of 2008	-	1,381	31	1,350
HOSA	10	12,505	12,047	468
Science Club	707	-	-	707
Farm Safety	62	-	62	-
General Athletics	36,690	147,009	146,725	36,974
Intrafund Transfers	-	(337)	(337)	-
	93,736	348,011	332,702	109,045
Middle School:				
Student Council	2,504	312	284	2,532

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Atkins:				
General	\$ 190	\$ 44	\$ -	\$ 234
Student Council	5,153	9,878	7,258	7,773
Media Club	661	3,435	2,674	1,422
Latch-key	339	-	-	339
	<u>6,343</u>	<u>13,357</u>	<u>9,932</u>	<u>9,768</u>
Norway:				
General	560	98	-	658
Student Council	25,923	25,145	36,071	14,997
Media Club	1,813	7,103	2,943	5,973
Yearbook	28	1,213	550	691
	<u>28,324</u>	<u>33,559</u>	<u>39,564</u>	<u>22,319</u>
Keystone:				
General	3,190	197	-	3,387
Vocal	330	-	-	330
Instrumental	42	-	-	42
VHE Fundraiser	2,000	-	-	2,000
Student Council	9,963	16,096	19,964	6,095
Media Club	532	2,215	-	2,747
Art Club	678	-	-	678
	<u>16,735</u>	<u>18,508</u>	<u>19,964</u>	<u>15,279</u>
Total	<u>\$ 147,642</u>	<u>\$ 413,747</u>	<u>\$ 402,446</u>	<u>\$ 158,943</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2005

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ <u>          -</u>	\$ <u>  186,073</u>	\$ <u>  181,858</u>	\$ <u>      4,215</u>
Liabilities				
Other payables	\$ <u>          -</u>	\$ <u>  186,073</u>	\$ <u>  181,858</u>	\$ <u>      4,215</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2005	2004	2003	2002
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 5,666,309	\$ 4,937,285	\$ 4,858,251	\$ 4,079,578
Tuition	394,057	337,499	266,588	197,480
Other	554,516	616,603	619,301	658,046
Intermediate sources	31,116	22,981	41,223	16,832
State sources	6,660,965	6,412,109	6,733,964	6,664,994
Federal sources	275,729	300,544	313,179	147,526
<b>Total revenues</b>	<b>\$ 13,582,692</b>	<b>\$ 12,627,021</b>	<b>\$ 12,832,506</b>	<b>\$ 11,764,456</b>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	\$ 5,241,134	\$ 4,948,094	\$ 4,977,461	\$ 4,945,610
Special instruction	1,677,461	1,837,296	1,734,672	1,675,655
Other instruction	1,273,248	1,138,182	1,119,163	1,120,745
Support services:				
Student services	236,472	290,174	164,767	173,045
Instructional staff services	361,657	309,381	233,175	198,954
Administration services	1,106,402	1,237,100	1,014,909	987,446
Operation and maintenance of plant services	1,335,313	1,206,486	1,331,018	1,019,439
Transportation services	756,403	745,719	675,080	719,009
Other expenditures:				
Facilities acquisition	1,454,627	2,035,075	34,071	-
Long-term debt:				
Principal	45,000	25,000	25,000	25,000
Interest and fiscal charges	203,246	14,106	15,508	16,908
AEA flowthrough	477,287	483,909	520,680	518,829
<b>Total expenditures</b>	<b>\$ 14,168,250</b>	<b>\$ 14,270,522</b>	<b>\$ 11,845,504</b>	<b>\$ 11,400,640</b>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
Benton 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 Benton Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 7, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Benton Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud 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 I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Benton Community School District's operations for the year ended June 30, 2005 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Benton Community School District and other parties to whom Benton Community School District may report, including federal awarding agencies and pass-through entities. 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 Benton 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.

Oskaloosa, Iowa  
September 7, 2005

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-A-05 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 receiving, recording and processing cash receipts and performing bank reconciliations, which can be performed by the same person, and preparing, recording, and mailing checks, which can be performed by the same person. 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 some steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that a lack of segregation of duties in the above mentioned areas still exists.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, we recommend that the Business Manager continue to review and be involved in the day to day transactions.

Response – We will review the recommendations and look to improve in areas where possible.

Conclusion – Response accepted.

I-B-05 Disbursements – Out of forty disbursements tested, three were not supported by an invoice or receipt at the time of payment. Upon further examination and follow up, documentation was obtained to support the expenditure.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation prior to their being paid.

Response – We will make sure that all future disbursements are properly supported by an invoice or other document, which is on hand at the business office prior to the disbursement being paid.

Conclusion – Response accepted.

I-C-05 Athletic Gate Admissions - Gate admissions and change box are not reconciled with prenumbered tickets for athletic events.

Recommendation – The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of prenumbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response – We will review our present procedures and consider the recommended reconciliation procedures.

Conclusion – Response accepted.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

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

Reportable Conditions (continued):

I-D-05     Bank Reconciliations – We noted \$254,900 of checks written in July 2005 that were included as outstanding checks on the June 30, 2005 bank reconciliation. An adjustment was necessary to reflect the proper balances on the District’s financial statements.

Recommendation – This practice understates cash and accounts payable. The outstanding checks on the bank reconciliation should include only checks that had been written June 30 or earlier but had not cleared through the bank. All checks should be dated the day they are written.

Response – We will try to properly record and date checks in the future. We will discontinue the practice of recording accounts payable items as outstanding checks.

Conclusion – Response accepted.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

- II-A-05 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- II-B-05 Certified Budget – Expenditures for the year ended June 30, 2005, exceeded the amount budgeted in the other expenditures function.
- Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response – We will amend our budget before expenditures exceed the budget.
- Conclusion – Response accepted.
- II-C-05 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-D-05 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-05 Business Transactions – We noted no business transactions between the District and District officials or employees.
- II-F-05 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-05 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-05 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-05 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

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

- II-K-05 Agency Fund – We noted transactions being recorded through the Fiduciary, Agency Fund, such as fundraisers for trips and other cocurricular activities, that would more appropriately be accounted for in the Special Revenue, Student Activity Fund.

Recommendation – The Agency Fund is only to be used to account for money received by the District as an agent for individuals, private organizations and other governments. Fundraisers which earn a profit for student activities should be accounted for in the Student Activity Fund.

Response – We will record future similar transactions in the Student Activity Fund.

Conclusion – Response accepted.

- II-L-05 Financial Condition – The Special Revenue, Management Levy Fund has a negative fund balance of \$4,155 and the Enterprise, Preschool Daycare Fund has a negative net assets balance of \$3,024.

Recommendation – The District needs to explore alternatives to restore the funds to a sound financial condition.

Response – The Board is aware of the condition and will investigate solutions to eliminate the deficits.

Conclusion – Response accepted.

- II-M-05 Student Activity Fund – We noted transactions being recorded through the Student Activity Fund such as industrial technology projects that would more appropriately be accounted for in an Enterprise Fund.

Recommendation – The Student Activity Fund is to be used to account for money received from student related activities such as admissions, activity fees, student dues, student fundraising events, or other student related cocurricular activities as stated in the administrative rules of the Department of Education.

Response – We will review these accounts in the next year and transfer items to more appropriate funds as deemed applicable.

Conclusion – Response accepted.

- II-N-05 Physical Plant and Equipment Levy – The proceeds of taxes levied under Chapter 298.3 of the Code of Iowa were used to pay for units of equipment that were each less than \$500. The total unallowable expenditure was \$2,074.

Recommendation – Equipment may be purchased from the Physical Plant and Equipment Levy (PPEL) Fund only if the value of the single unit of equipment exceeds \$500. The General Fund or Capital Projects Fund should reimburse \$2,074 to the PPEL Fund for the equipment.

Response – We will ensure that all future PPEL Fund expenditures are in compliance with the Code of Iowa. We will also make the required reimbursement to the PPEL Fund.

Conclusion – Response accepted.

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