

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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Cardinal of Eldon Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Dave Fite	President	2004
Greg Greiner	Vice President	2005
Jim Hidy	Board Member	2004
Randy Eakins	Board Member	2006
Mike Kayser	Board Member	2006
Board of Education (After September 2004 Election)		
Greg Greiner	President	2005
Fred Thomas	Vice President	2007
Carol Streeby	Board Member	2007
Randy Eakins	Board Member	2006
Mike Kayser	Board Member	2006
School Officials		
Arnie Snook	Superintendent	2005
Linda Durflinger	District Secretary	2005
Tina Snyder	Business Manager/Treasurer	2005
Bob Breckenridge	Attorney	2005

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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Cardinal of Eldon 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 Cardinal of Eldon Community School District, Eldon, 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 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Cardinal of Eldon Community School District at 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 July 26, 2005 on our consideration of Cardinal of Eldon Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 37 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. 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 Cardinal of Eldon 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 an unqualified opinion 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.


NOLTE, CORNMAN & JOHNSON, P.C.

July 26, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cardinal of Eldon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,978,299 in fiscal 2004 to \$5,105,201 in fiscal 2005, while General Fund expenditures increased from \$4,905,068 in fiscal 2004 to \$5,311,119 in fiscal 2005. This resulted in a decrease in the District's General Fund balance from \$517,117 in fiscal 2004 to a balance of \$285,406 in fiscal 2005.
- The increase in General Fund revenues was attributable to an increase in state grant revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in every functional program area. One reason the General Fund balance decreased is because the increase in expenditures was greater than the increase in revenues for fiscal 2005.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

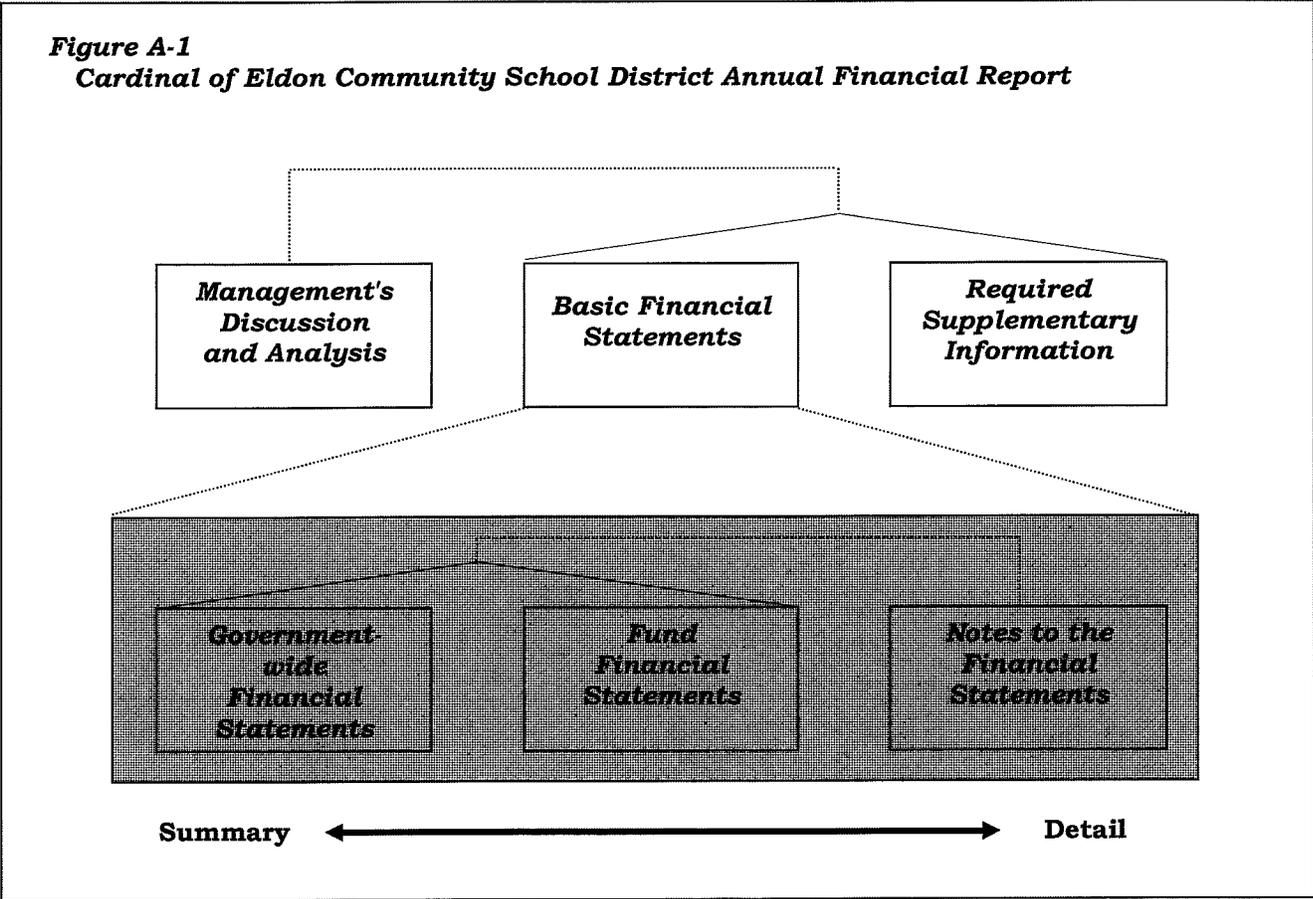


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change 2004-05
	2005	2004	2005	2004	2005	2004	
Current and other assets	\$ 4,318,898	4,333,329	\$ 11,323	13,190	\$ 4,330,221	4,346,519	-0.37%
Capital assets	2,746,619	2,708,171	11,584	9,989	2,758,203	2,718,160	1.47%
Total assets	<u>7,065,517</u>	<u>7,041,500</u>	<u>22,907</u>	<u>23,179</u>	<u>7,088,424</u>	<u>7,064,679</u>	<u>0.34%</u>
Long-term obligations	685,000	918,825	0	0	685,000	918,825	-25.45%
Other liabilities	3,587,930	3,511,527	8,752	12,490	3,596,682	3,524,017	2.06%
Total liabilities	<u>4,272,930</u>	<u>4,430,352</u>	<u>8,752</u>	<u>12,490</u>	<u>4,281,682</u>	<u>4,442,842</u>	<u>-3.63%</u>
Net assets:							
Invested in capital assets, net of related debt	2,218,484	2,708,171	11,584	9,989	2,230,068	2,718,160	-17.96%
Restricted	226,197	(527,103)	0	0	226,197	(527,103)	142.91%
Unrestricted	347,906	430,080	2,571	700	350,477	430,780	-18.64%
Total net assets	<u>\$ 2,792,587</u>	<u>2,611,148</u>	<u>\$ 14,155</u>	<u>10,689</u>	<u>\$ 2,806,742</u>	<u>2,621,837</u>	<u>7.05%</u>

The District's combined net assets increased by nearly 7% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately 142.91% over the prior year. The increase was primarily a result of reclassifying the Physical Plant and Equipment Levy (PPEL) fund balance from prior year to the invested in capital assets line.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased approximately 18.6% over the prior year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 537,742	582,990	\$ 117,613	108,111	655,355	691,101	-5.17%
Operating grants and contributions and restricted interest	686,119	602,830	134,601	127,826	820,720	730,656	12.33%
General revenues:							
Property tax	1,626,152	1,749,579	0	0	1,626,152	1,749,579	-7.05%
Local option sales and service tax	336,500	0	0	0	336,500	0	0.00%
Unrestricted state grants	2,711,741	2,458,792	0	0	2,711,741	2,458,792	10.29%
Other	74,521	15,532	0	0	74,521	15,532	379.79%
Total revenues	5,972,775	5,409,723	252,214	235,937	6,224,989	5,645,660	10.26%
Program expenses:							
Governmental activities:							
Instructional	3,970,560	3,651,171	0	0	3,970,560	3,651,171	8.75%
Support services	1,465,531	1,386,611	0	0	1,465,531	1,386,611	5.69%
Non-instructional programs	15,135	0	248,748	223,234	263,883	223,234	18.21%
Other expenses	340,110	412,131	0	0	340,110	412,131	-17.48%
Total expenses	5,791,336	5,449,913	248,748	223,234	6,040,084	5,673,147	6.47%
Change in net assets	181,439	(40,190)	3,466	12,703	184,905	(27,487)	-772.70%
Net assets beginning of year	2,611,148	2,651,338	10,689	(2,014)	2,621,837	2,649,324	-1.04%
Net assets end of year	\$ 2,792,587	2,611,148	\$ 14,155	10,689	2,806,742	2,621,837	7.05%

Property tax and unrestricted state grants account for 70% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 90% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,972,775 and expenses were \$5,791,336.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,970,560	2,935,214
Support services	1,465,531	1,465,369
Non-instructional	15,135	15,135
Other expenses	340,110	151,757
Totals	\$ 5,791,336	4,567,475

-
- The cost financed by users of the District's programs was \$537,742.
 - Federal and state governments subsidized certain programs with grants and contributions totaling \$686,119.
 - The net cost of governmental activities was financed with \$1,626,152 in local tax, \$2,711,711 in unrestricted state grants, and \$49,922 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$252,214 and expenses were \$248,748. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$618,023, decreased compared to last year's ending fund balances of \$710,092. However, the primary reason for the decrease was the increase in expenditures in the General Fund.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. The increase in revenues was offset by the District's increase in General Fund expenditures ensuring the financial position of the District decrease.
- The Activity and Expendable Trust Fund combined balance increased from \$98,549 in 2004, to \$117,287 in 2005, due to the increase in revenues in the Activity fund.
- The Physical Plant and Equipment Levy (PPEL) fund balance decreased from \$58,438 to \$19,035, due to the decrease in revenues during the year and increase in loan payments. The fund transfers money to the Debt Service fund for payment of the capital loan notes. Therefore if trends continue, this fund will have a deficit fund balance in the upcoming years.
- The Management fund balance increased from \$23,710, to \$55,961, due to an increase in revenues.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$10,689 at June 30, 2004 to \$14,155 at June 30, 2005. The District received more in state and federal money during the year, which offset the continuing increase in salaries and benefits and prices of food.

BUDGETARY HIGHLIGHTS

The District's revenues were \$74,843 less than budgeted revenues, a variance of 1%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending

authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget exceeded in the non-instructional and other expenditures functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$2,758,203, net of accumulated depreciation, in a broad range of capital assets, including buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 1.45% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$181,691.

The original cost of the District's capital assets was \$5,591,568. Governmental funds account for \$5,525,960 with the remainder of \$65,608 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the improvements other than buildings category. The District's improvements other than buildings totaled \$295,346 at June 30, 2005, compared to \$209,400 reported at June 30, 2004. This increase resulted from the acquisitions that incurred during the current year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total Change 2004-05
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
Buildings	\$ 2,235,102	2,307,956	0	0	2,235,102	2,307,956	-3.26%
Improvements other than buildings	295,346	209,400	0	0	295,346	209,400	29.10%
Machinery and equipment	216,171	190,815	11,584	9,989	227,755	200,804	11.83%
Total	<u>\$ 2,746,619</u>	<u>2,708,171</u>	<u>\$ 11,584</u>	<u>9,989</u>	<u>\$ 2,758,203</u>	<u>2,718,160</u>	<u>1.45%</u>

Long-Term Debt

At June 30, 2005, the District had long-term debt outstanding of \$685,000 in general obligation bonds and capital loan notes. This represents a decrease of approximately 25.2% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$5,000 at June 30, 2005. This amount has been outstanding since 1995.

The District had total outstanding capital loan notes payable of \$680,000 at June 30, 2005. The capital loan notes are paid from the Debt Service fund, but the PPEL fund transfers the monies there to be paid.

Total outstanding fitness equipment loans payable were paid off during the year, leaving a \$0 balance at June 30, 2005.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
General obligation	\$ 5,000	5,000	0.0%
Capital loan note	680,000	780,000	-12.8%
Fitness equipment loan	0	130,988	-100.0%
Totals	<u>\$ 685,000</u>	<u>915,988</u>	<u>-25.2%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Although the District has experienced declining enrollment for a few years, the District expects a slight increase in enrollment.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2004.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

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 Tina Snyder, District Business Manager, Cardinal of Eldon Community School District, 4045 Ashland Road, Eldon, Iowa, 52554.

BASIC FINANCIAL STATEMENTS

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments			
ISCAP(Note 4)	\$ 1,553,062	0	1,553,062
Other	955,410	7,754	963,164
Receivables:			
Property tax:			
Delinquent	49,854	0	49,854
Succeeding year	1,465,135	0	1,465,135
Income surtax	115,449	0	115,449
Accounts	854	254	1,108
Accrued interest			
ISCAP(Note 4)	6,984	0	6,984
Due from other governments	172,150	0	172,150
Inventories	0	3,315	3,315
Capital assets, net of accumulated depreciation(Note 5)	2,746,619	11,584	2,758,203
TOTAL ASSETS	7,065,517	22,907	7,088,424
LIABILITIES			
Interest payable	2,504	0	2,504
Salaries and benefits payable	548,821	7,967	556,788
ISCAP warrants payable(Note 4)	1,547,000	0	1,547,000
ISCAP accrued interest payable(Note 4)	7,541	0	7,541
ISCAP premiums payable	16,929	0	16,929
Deferred revenue:			
Succeeding year property tax	1,465,135	0	1,465,135
Other	0	785	785
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds	5,000	0	5,000
Capital loan notes	105,000	0	105,000
Portion due after one year:			
Capital loan notes	575,000	0	575,000
TOTAL LIABILITIES	4,272,930	8,752	4,281,682
NET ASSETS			
Investment in capital assets, net of related debt	2,218,484	11,584	2,230,068
Restricted for:			
Talented and gifted	52,091	0	52,091
Salary improvement program	858	0	858
Management levy	55,961	0	55,961
Other special revenue purposes	117,287	0	117,287
Unrestricted	347,906	2,571	350,477
TOTAL NET ASSETS	\$ 2,792,587	14,155	2,806,742

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

	Program Revenues		
	Expenses	Services	Operating Grants, Contributions Charges for and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,442,956	106,904	497,604
Special instruction	694,682	54,276	0
Other instruction	832,922	376,562	0
	<u>3,970,560</u>	<u>537,742</u>	<u>497,604</u>
Support services:			
Student services	149,717	0	0
Instructional staff services	25,942	0	0
Administration services	681,003	0	0
Operation and maintenance of plant services	340,482	0	0
Transportation services	268,387	0	162
	<u>1,465,531</u>	<u>0</u>	<u>162</u>
Non-instructional:			
Community service & other enterprise operations	14,985	0	0
Operation of non-instructional programs	150	0	0
	<u>15,135</u>	<u>0</u>	<u>0</u>
Other expenditures:			
Facilities acquisitions	22,024	0	0
Long-term debt interest	34,112	0	0
AEA flowthrough	188,353	0	188,353
Depreciation(unallocated)*	95,621	0	0
	<u>340,110</u>	<u>0</u>	<u>188,353</u>
Total governmental activities	5,791,336	537,742	686,119
Business-Type activities:			
Non-instructional programs:			
Nutrition services	248,748	117,613	134,601
Total business-type activities	<u>248,748</u>	<u>117,613</u>	<u>134,601</u>
Total	<u>\$ 6,040,084</u>	<u>655,355</u>	<u>820,720</u>

General Revenues:

Property tax levied for:
General purposes
Capital outlay
Local option sales and service tax
Unrestricted state grants
Unrestricted investment earnings
Settlement of debt (Note 11)
Total general revenues

Changes 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 various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,838,448)	0	(1,838,448)
(640,406)	0	(640,406)
(456,360)	0	(456,360)
<u>(2,935,214)</u>	<u>0</u>	<u>(2,935,214)</u>
(149,717)	0	(149,717)
(25,942)	0	(25,942)
(681,003)	0	(681,003)
(340,482)	0	(340,482)
(268,225)	0	(268,225)
<u>(1,465,369)</u>	<u>0</u>	<u>(1,465,369)</u>
(14,985)	0	(14,985)
(150)	0	(150)
<u>(15,135)</u>	<u>0</u>	<u>(15,135)</u>
(22,024)	0	(22,024)
(34,112)	0	(34,112)
0	0	0
(95,621)	0	(95,621)
<u>(151,757)</u>	<u>0</u>	<u>(151,757)</u>
(4,567,475)	0	(4,567,475)
0	3,466	3,466
0	3,466	3,466
<u>(4,567,475)</u>	<u>3,466</u>	<u>(4,564,009)</u>
\$ 1,477,655	0	1,477,655
148,497	0	148,497
336,500	0	336,500
2,711,741	0	2,711,741
49,922	0	49,922
24,599	0	24,599
<u>4,748,914</u>	<u>0</u>	<u>4,748,914</u>
181,439	3,466	184,905
2,611,148	10,689	2,621,837
<u>\$ 2,792,587</u>	<u>14,155</u>	<u>2,806,742</u>

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	Other Governmental		Total
	General	Funds	
ASSETS			
Cash and pooled investments			
ISCAP(Note 4)	\$ 1,553,062	0	1,553,062
Other	721,668	233,742	955,410
Receivables:			
Property tax			
Delinquent	41,631	8,223	49,854
Succeeding year	1,232,613	232,522	1,465,135
Income surtax	115,449	0	115,449
Accounts	854	0	854
Accrued interest			
ISCAP(Note 4)	6,984	0	6,984
Due from other governments	81,498	90,652	172,150
TOTAL ASSETS	\$ 3,753,759	565,139	4,318,898
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and benefits payable	\$ 548,821	0	548,821
ISCAP warrants payable(Note 4)	1,547,000	0	1,547,000
ISCAP accrued interest payable(Note 4)	7,541	0	7,541
ISCAP premiums payable	16,929	0	16,929
Deferred revenue:			
Succeeding year property tax	1,232,613	232,522	1,465,135
Income surtax	115,449	0	115,449
Total liabilities	<u>3,468,353</u>	<u>232,522</u>	<u>3,700,875</u>
Fund balances:			
Reserved for:			
Debt service	0	6,595	6,595
Talented and gifted	52,091	0	52,091
Salary improvement program	858	0	858
Unreserved:			
Undesignated	232,457	326,022	558,479
Total fund balances	<u>285,406</u>	<u>332,617</u>	<u>618,023</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,753,759	565,139	4,318,898

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON 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 (page 16)	\$	618,023
 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 in the governmental funds.		2,746,619
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(2,504)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		115,449
Long-term liabilities, including bonds, capital loan notes and fitness equipment loan payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(685,000)</u>
Net assets of governmental activites (page 13)	\$	<u>2,792,587</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Other Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,374,443	247,970	1,622,413
LOSST	0	336,500	336,500
Tuition	161,180	0	161,180
Other	172,095	254,389	426,484
State sources	3,153,901	377	3,154,278
Federal sources	243,582	0	243,582
Total revenues	<u>5,105,201</u>	<u>839,236</u>	<u>5,944,437</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	2,415,815	1,590	2,417,405
Special instruction	693,037	0	693,037
Other instruction	603,371	229,551	832,922
	<u>3,712,223</u>	<u>231,141</u>	<u>3,943,364</u>
Support services:			
Student services	149,717	0	149,717
Instructional staff services	25,942	0	25,942
Administration services	631,487	55,540	687,027
Operation and maintenance of plant services	336,944	3,138	340,082
Transportation services	251,468	63,847	315,315
	<u>1,395,558</u>	<u>122,525</u>	<u>1,518,083</u>
Non-instructional:			
Community service & other enterprise operations	14,985	0	14,985
Operation of non-instructional programs	0	150	150
	<u>14,985</u>	<u>150</u>	<u>15,135</u>
Other expenditures:			
Facilities acquisitions	0	130,737	130,737
Long-term debt:			
Principal	0	206,389	206,389
Interest and fiscal charges	0	34,445	34,445
AEA flowthrough	188,353	0	188,353
	<u>188,353</u>	<u>371,571</u>	<u>559,924</u>
Total expenditures	<u>5,311,119</u>	<u>725,387</u>	<u>6,036,506</u>
Excess (deficiency) of revenues over (under) expenditures	(205,918)	113,849	(92,069)
Other financing sources(uses):			
Transfers in	0	240,834	240,834
Transfers out	(25,793)	(215,041)	(240,834)
Total other financing sources(uses)	<u>(25,793)</u>	<u>25,793</u>	<u>0</u>
Net change in fund balances	(231,711)	139,642	(92,069)
Fund balance beginning of year	517,117	192,975	710,092
Fund balance end of year	<u>\$ 285,406</u>	<u>332,617</u>	<u>618,023</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON 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 (page 18)	\$	(92,069)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are 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	\$ 218,496	
Depreciation expense	<u>(180,048)</u>	38,448
 Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		
		230,988
 Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		333
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		
		<u>3,739</u>
Changes in net assets of governmental activities (page 15)	\$	<u>181,439</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

	School Nutrition
ASSETS	
Cash and cash equivalents	\$ 7,754
Accounts receivable	254
Inventories	3,315
Capital assets, net of accumulated depreciation	11,584
TOTAL ASSETS	22,907
 LIABILITIES	
Salaries and benefits payable	7,967
Deferred revenues	785
TOTAL LIABILITES	8,752
 NET ASSETS	
Invested in capital assets, net of related debt	11,584
Unrestricted	2,571
TOTAL NET ASSETS	\$ 14,155

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2005

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Other local sources:	
Sale of lunches and breakfasts:	
Students	\$ 103,204
Adults	14,409
TOTAL OPERATING REVENUES	117,613
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	77,380
Benefits	19,543
Services	7,352
Supplies	142,763
Other	67
Depreciation	1,643
TOTAL OPERATING EXPENSES	248,748
OPERATING LOSS	(131,135)
NON-OPERATING REVENUES:	
State sources	3,756
Federal sources	130,845
TOTAL NON-OPERATING REVENUES	134,601
Net income	3,466
Net assets at beginning of year	10,689
Net assets end of year	\$ 14,155

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 116,986
Cash payments to employees for services	(100,288)
Cash payments to suppliers for goods or services	(142,983)
Net cash used in operating activities	(126,285)
Cash flows from non-capital financing activities:	
State grants received	3,756
Federal grants received	121,785
Net cash provided by non-capital financing activities	125,541
Cash flows from capital financing activities:	
Purchase of assets	(3,238)
Net cash used in capital financing activities	(3,238)
Net decrease in cash and cash equivalents	(3,982)
Cash and cash equivalents at beginning of year	11,736
Cash and cash equivalents at end of year	\$ 7,754
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (131,135)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	9,060
Depreciation	1,643
Increase in inventories	(1,861)
Increase in accounts receivable	(254)
Decrease in salaries and benefits payable	(3,365)
Decrease in deferred revenue	(373)
Net cash used in operating activities	\$ (126,285)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 7,754

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at \$9,060.

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(1) Summary of Significant Accounting Policies

The Cardinal of Eldon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. 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 City of Eldon, Iowa, and the predominate agricultural territory in Jefferson, Wapello, Davis, and Van Buren 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, Cardinal of Eldon Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Cardinal of Eldon 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 do 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 Jefferson, Wapello, Davis, and Van Buren County Assessors' Conference Board.

B. Basis of Presentation

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

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 assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that 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 Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts 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 District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The Government-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.

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

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

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

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of

donation. The costs of normal maintenance and 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	\$ 2,000
Buildings	2,000
Improvements other than buildings	2,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

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

Deferred revenue on 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.

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

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

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2005 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified portfolio	\$ 769,747

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

(3) **Transfers**

The detail of transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	PPEL	\$ 134,445
Debt Service	General	25,793
Debt Service	LOSST	<u>80,596</u>
Total		<u>\$ 240,834</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05B	1/28/2005	1/27/2006	515,486	6,984	514,000	7,541
2005-06A	6/28/2005	6/28/2006	1,037,576	0	1,033,000	0
Total			<u>\$ 1,553,062</u>	<u>6,984</u>	<u>1,547,000</u>	<u>7,541</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance activity was noted in the General Fund for the year ended June 30, 2005.

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.000%	2.463%
2004-05B	3.500%	3.232%
2005-06A	3.500%	3.903%

(5) 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 being depreciated:				
Buildings	\$ 3,642,674	0	0	3,642,674
Land improvements	681,829	108,713	0	790,542
Machinery and equipment	982,961	109,783	0	1,092,744
Total capital assets being depreciated	<u>5,307,464</u>	<u>218,496</u>	<u>0</u>	<u>5,525,960</u>
Less accumulated depreciation for:				
Buildings	1,334,718	72,854	0	1,407,572
Land improvements	472,429	22,767	0	495,196
Machinery and equipment	792,146	84,427	0	876,573
Total accumulated depreciation	<u>2,599,293</u>	<u>180,048</u>	<u>0</u>	<u>2,779,341</u>
Total capital assets being depreciated, net	<u>2,708,171</u>	<u>38,448</u>	<u>0</u>	<u>2,746,619</u>
Governmental activities capital assets, net	<u>\$ 2,708,171</u>	<u>38,448</u>	<u>0</u>	<u>2,746,619</u>
Business-type activities:				
Machinery and equipment	\$ 62,370	3,238	0	65,608
Less accumulated depreciation	52,381	1,643	0	54,024
Business-type activities capital assets, net	<u>\$ 9,989</u>	<u>1,595</u>	<u>0</u>	<u>11,584</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 25,551
Special		1,645
Other		0
Support services:		
Administration services		9,201
Operation and maintenance of plant services		400
Transportation		47,630
		<u>84,427</u>
Unallocated depreciation		<u>95,621</u>
Total governmental activities depreciation expense		<u>\$ 180,048</u>
Business-type activities:		
Food services		<u>\$ 1,643</u>

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 5,000	0	0	5,000	5,000
Capital loan notes	780,000	0	100,000	680,000	105,000
Fitness equipment loan	130,988	0	130,988	0	0
Total	<u>\$ 915,988</u>	<u>0</u>	<u>230,988</u>	<u>685,000</u>	<u>110,000</u>

General Obligation

Details of the District's June 30, 2005 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue dated March 1, 1983		
		Principal	Interest	Total
1995	8.60 %	\$ 5,000	1,935	6,935

Capital Loan Notes

Capital loan notes are paid out of the PPEL Fund and details of the District's June 30, 2005 indebtedness is as follows:

Year Ending June 30,	Interest Rate	Issue May 27, 1997		
		Principal	Interest	Total
2006	4.05 %	\$ 100,000	30,045	130,045
2007	4.20	105,000	25,995	130,995
2008	4.35	110,000	21,585	131,585
2009	4.50	115,000	16,800	131,800
2010	4.60	125,000	11,625	136,625
2011	4.70	125,000	5,875	130,875
Total		\$ 680,000	111,925	791,925

Fitness Equipment Loan

Fitness equipment loan is paid out of the General Fund and as of June 30, 2005 the District had paid off this loan.

(7) 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 salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$172,412, \$159,332, and \$157,054 respectively, equal to the required contributions for each year.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and

protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium. The total amount of the deficit recoveries of current members is estimated to \$2.2 million. The District's share of this assessment is going to be 2% of the 2004-05 and 2005-06 premiums. As of June 30, 2005 the District had paid \$12,094 of the assessment. The remainder of the 2% assessment will be paid on a monthly basis along with the 2005-2006 premiums. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2005 were \$604,684.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

The 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.

(9) 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 \$188,353 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.

(10) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2005, disbursements in the non-instructional and other expenditures functional program area exceeded the amount budgeted.

(11) Settlement of National Fitness Loan

During the year, the District paid a lesser amount in settlement for an outstanding loan for fitness equipment. The District paid

\$106,389 in recognition of full payment of the outstanding principal amount of \$130,988. The difference of \$24,599 is recognized in the Statement of Activities as other revenue.

REQUIRED SUPPLEMENTAL INFORMATION

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 2,443,707	116,986
State sources	3,154,278	3,756
Federal sources	226,854	130,845
Total receipts	<u>5,824,839</u>	<u>251,587</u>
Disbursements:		
Instruction	3,948,546	0
Support services	1,478,174	0
Non-instructional programs	15,135	255,569
Other expenditures	559,924	0
Total disbursements	<u>6,001,779</u>	<u>255,569</u>
Excess(deficiency) of receipts over(under) disbursements	(176,940)	(3,982)
Balance beginning of year	<u>1,132,350</u>	<u>11,736</u>
Balance end of year	<u>\$ 955,410</u>	<u>7,754</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,560,693	2,573,742	2,573,742	(13,049)
3,158,034	3,283,527	3,283,527	(125,493)
357,699	294,000	294,000	63,699
<u>6,076,426</u>	<u>6,151,269</u>	<u>6,151,269</u>	<u>(74,843)</u>
3,948,546	4,397,921	4,397,921	449,375
1,478,174	2,066,678	2,066,678	588,504
270,704	231,326	231,326	(39,378)
559,924	414,186	414,186	(145,738)
<u>6,257,348</u>	<u>7,110,111</u>	<u>7,110,111</u>	<u>852,763</u>
(180,922)	(958,842)	(958,842)	777,920
<u>1,144,086</u>	<u>998,975</u>	<u>998,975</u>	<u>145,111</u>
<u>963,164</u>	<u>40,133</u>	<u>40,133</u>	<u>923,031</u>

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE-
 BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 5,824,839	119,598	5,944,437
Expenses	6,001,779	34,727	6,036,506
Net	(176,940)	84,871	(92,069)
Beginning fund balances	1,132,350	(422,258)	710,092
Ending fund balances	\$ 955,410	(337,387)	618,023

	Proprietary Fund Type		
	Enterprise		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 251,587	627	252,214
Expenses	255,569	(6,821)	248,748
Net	(3,982)	7,448	3,466
Beginning retained earnings	11,736	(1,047)	10,689
Ending retained earnings	\$ 7,754	6,401	14,155

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard 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 cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2005, disbursements in the non-instructional and other expenditures functional program area exceeded the amounts budgeted.

OTHER SUPPLEMENTAL INFORMATION

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

	Special Revenue Funds				
	Manage-	Physical Plant & Equipment Levy	Student Activity	Expendable Trust	Total Special Revenue
ASSETS					
Cash and pooled investments	\$ 52,662	14,111	78,021	39,266	184,060
Receivables:					
Property tax:					
Current year delinquent	3,299	4,924	0	0	8,223
Succeeding year	100,000	132,522	0	0	232,522
Due from other governments	0	0	0	0	0
TOTAL ASSETS	\$ 155,961	151,557	78,021	39,266	424,805
LIABILITIES AND FUND EQUITY					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	\$ 100,000	132,522	0	0	232,522
	100,000	132,522	0	0	232,522
Fund equity:					
Fund balances:					
Reserved:					
Debt service	0	0	0	0	0
Unreserved:					
Undesignated	55,961	19,035	78,021	39,266	192,283
Total fund balances	55,961	19,035	78,021	39,266	192,283
TOTAL LIABILITIES AND FUND EQUITY	\$ 155,961	151,557	78,021	39,266	424,805

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 1

<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
43,087	6,595	233,742
0	0	8,223
0	0	232,522
90,652	0	90,652
<u>133,739</u>	<u>6,595</u>	<u>565,139</u>
0	0	232,522
0	0	232,522
0	6,595	6,595
133,739	0	326,022
<u>133,739</u>	<u>6,595</u>	<u>332,617</u>
<u>133,739</u>	<u>6,595</u>	<u>565,139</u>

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	Special Revenue				
	Manage- ment	Physical Plant & Equipment Levy	Student Activity	Expendable Trust	Total Special Revenue
REVENUES:					
Local sources:					
Local tax	\$ 99,473	148,497	0	0	247,970
LOSST	0	0	0	0	0
Other	2,395	666	245,523	2,916	251,500
State sources	151	226	0	0	377
TOTAL REVENUES	102,019	149,389	245,523	2,916	499,847
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	1,590	0	0	0	1,590
Other instruction	0	0	229,551	0	229,551
	1,590	0	229,551	0	231,141
Support services:					
Administration services	55,540	0	0	0	55,540
Operation and maintenance of plant services	0	3,138	0	0	3,138
Transportation services	12,638	51,209	0	0	63,847
	68,178	54,347	0	0	122,525
Non-instructional:					
Operation of non-instructional programs	0	0	0	150	150
Other expenditures:					
Facility acquisition	0	0	0	0	0
Long-term debt:					
Principle	0	0	0	0	0
Interest and fiscal charges	0	0	0	0	0
	0	0	0	0	0
TOTAL EXPENDITURES	69,768	54,347	229,551	150	353,816
Excess(deficiency) of revenues over (under) expenditures	32,251	95,042	15,972	2,766	146,031
Other financing sources(uses):					
Operating transfers in	0	0	0	0	0
Operating transfers out	0	(134,445)	0	0	(134,445)
Total other financing sources(uses)	0	(134,445)	0	0	(134,445)
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	32,251	(39,403)	15,972	2,766	11,586
Fund balance beginning of year	23,710	58,438	62,049	36,500	180,697
Fund balance end of year	\$ 55,961	19,035	78,021	39,266	192,283

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Capital Projects	Debt Service	Total Nonmajor Governmental Funds
0	0	247,970
336,500	0	336,500
2,889	0	254,389
0	0	377
<u>339,389</u>	<u>0</u>	<u>839,236</u>
0	0	1,590
0	0	229,551
<u>0</u>	<u>0</u>	<u>231,141</u>
0	0	55,540
0	0	3,138
0	0	63,847
<u>0</u>	<u>0</u>	<u>122,525</u>
0	0	150
130,737	0	130,737
0	206,389	206,389
0	34,445	34,445
<u>130,737</u>	<u>240,834</u>	<u>371,571</u>
<u>130,737</u>	<u>240,834</u>	<u>725,387</u>
208,652	(240,834)	113,849
0	240,834	240,834
(80,596)	0	(215,041)
<u>(80,596)</u>	<u>240,834</u>	<u>25,793</u>
128,056	0	139,642
5,683	6,595	192,975
<u>133,739</u>	<u>6,595</u>	<u>332,617</u>

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 906	448	1,354	0
Investments	10,132	193	0	10,325
Drama	817	702	750	769
Music	212	1,386	1,146	452
Vocal	1,069	621	279	1,411
Season tickets	0	5,580	5,539	41
Boys basketball	1,304	3,395	2,650	2,049
Football	170	5,833	5,268	735
Baseball	0	3,101	3,101	0
Boys track	0	1,070	1,070	0
Wrestling	0	3,045	3,045	0
Girls basketball	1,279	3,092	2,646	1,725
Volleyball	392	1,788	1,924	256
Softball	25	4,611	4,636	0
Girls track	0	1,646	1,646	0
Yearbook	5,516	9,092	15,043	(435)
Art club	432	103	141	394
Caps and gown	3,708	7,374	1,017	10,065
Cheerleaders	552	1,741	2,419	(126)
Baseball club	738	1,495	1,540	693
General activity	5	1,870	1,157	718
Concessions	5,062	4,454	2,506	7,010
Football club	2,278	4,100	5,153	1,225
6th grade dues	0	42	0	42
7th grade dues	2,057	0	1,927	130
8th grade dues	44	0	0	44
Freshman	44	1,448	295	1,197
Sophomore	618	1,405	80	1,943
Juniors	1,638	14,636	15,532	742
Seniors	2,999	323	1,980	1,342
Girls baseball club	750	305	355	700
National honor society	(122)	0	97	(219)
JH trip fund	4,797	51,465	54,311	1,951
FFA	(2,353)	6,019	3,701	(35)
SADD chapter	112	0	112	0
Softball club	1,236	3,922	4,342	816
HS student council	(78)	1,281	1,694	(491)
Volleyball club	1,307	2,721	2,613	1,415
Wrestling club	3,514	2,725	2,976	3,263
Foreign language club	935	2,898	2,601	1,232
Boys basketball club	39	2,958	540	2,457
Business class	6	0	0	6

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
JH student council	978	724	1,405	297
Effort honor role	132	0	0	132
Elementary music	0	125	17	108
Elementary yearbook	0	2,106	2,138	(32)
Elementary concessions	1,883	28,906	24,747	6,042
Elementary library fund	0	1,500	1,055	445
Patriotism day	2,419	0	301	2,118
JH cheerleading	130	144	144	130
Wrestling cheerleading	303	16	120	199
Weight room club	749	(38)	340	371
Sports concessions	(3,733)	64	(3,669)	0
A club	3,740	36,287	35,051	4,976
Music boosters	2,355	12,683	7,916	7,122
CSA	185	244	140	289
FCCLA	33	67	36	64
Dance and drill	735	530	945	320
New England trip	0	3,277	1,679	1,598
Total	<u>\$ 62,049</u>	<u>245,523</u>	<u>229,551</u>	<u>78,021</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 EXPENDABLE TRUST FUND
 YEAR ENDED JUNE 30, 2005

	Ruth Alleman Scholarship
REVENUES:	
Local sources:	
Interest on investments	\$ 2,916
TOTAL REVENUES	2,916
EXPENDITURES:	
Non-instructional programs:	
Operations	150
Excess of revenues over expenditures	2,766
Fund balance beginning of year	36,500
Fund balance end of year	\$ 39,266

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 1,958,913	1,750,121	1,766,154	1,503,469
Tuition	161,180	178,302	180,434	164,763
Other	426,484	420,220	574,141	293,828
State sources	3,154,278	2,892,651	3,131,529	2,801,508
Federal sources	243,582	168,971	164,305	168,758
Total	\$ 5,944,437	5,410,265	5,816,563	4,932,326
Expenditures:				
Instruction:				
Regular instruction	\$ 2,417,405	2,275,334	2,273,935	2,373,500
Special instruction	693,037	863,801	769,381	790,846
Other instruction	832,922	491,027	763,452	364,836
Support services:				
Student services	149,717	144,869	140,169	138,177
Instructional staff services	25,942	3,462	4,378	23,257
Administration services	687,027	658,292	601,752	494,395
Operation and maintenance of plant services	340,082	346,895	429,437	350,764
Transportation services	315,315	231,964	248,301	195,182
Non-instructional:				
Food service	0	0	4,150	2,407
Community service & other enterprise operations	14,985	0	0	0
Operation of non-instructional programs	150	0	0	0
Other expenditures:				
Facilities acquisitions	130,737	106,448	210,331	914,202
Long Term Debt:				
Principal	206,389	166,183	101,730	95,000
Interest	34,445	44,247	43,852	37,227
AEA flow-through	188,353	184,562	200,602	191,567
Total	\$ 6,036,506	5,517,084	5,791,470	5,971,360

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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 the
Cardinal of Eldon 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 Cardinal of Eldon 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 July 26, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cardinal of Eldon Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide 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 items I-A-05 is a material weakness.

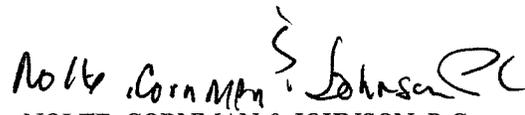
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cardinal of Eldon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and , non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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 Cardinal of Eldon Community School District and other parties to Cardinal of Eldon 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 Cardinal of Eldon 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.


NOLTE, CORNMAN & JOHNSON, P.C.

July 26, 2005

CARDINAL OF ELDON 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 - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-05 Student Activity Fund - We noted during our audit that the Student Activity fund included a cap and gown account, which may be more appropriately accounted for in the General Fund. The students use this as a clearing for collection and payment of the caps and gowns. However, this account has increased \$6,357 from prior year.

Recommendation - This account should be closed out at year-end. The District should review the transactions in this account and make the necessary changes. The district should collect fees in the general fund and make subsequent payment.

Response - We will make the necessary changes.

Conclusion - Response accepted.

I-C-05 Checks Outstanding - We noted during our audit that the District had checks included in the Activity Fund bank reconciliation which have been outstanding for over a year.

Recommendation - The District should research the outstanding checks to determine if they should be re-issued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - We will comply.

Conclusion - Response accepted.

I-D-05 Donations - The District receipted donations for a 'promoting of character campaigns' (socks) into the student activity fund. Donations should be receipted into the fund which will legally enable the District to make the expenditures.

Recommendation - This donation would most appropriately be recorded and accounted for in the general fund. The district should review the process and procedures in place for collecting and expending donations for property.

Response - We will comply.

Conclusion - Response accepted.

I-E-05 Loan payment - The district previously entered into an agreement with the National Fitness Foundation for the purchase of equipment. The loan payments were set up in the General fund. During 2005 the District paid the balance of this loan, \$80,595.92, from the Capital Projects, local option state sales tax fund. This payment from the Capital Projects does not appear appropriate as the loan was set up through the general fund.

Recommendation - The district should make a corrective transfer of \$80,595.92 from the general fund to Capital Projects fund.

Response - We will comply and make the necessary transfer.

Conclusion - Response accepted.

I-F-05 Investments in the Student Activity Fund - We noted during our audit that there is an investment line within the Student Activity Fund. Investments should belong to a particular group/account, and should not have a separate fund equity line.

Recommendation - The District should research the investments account to find which group/account the funds belong to and make the corrective transfer in order to zero out the account.

Response - We will comply.

Conclusion - Response accepted.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

- II-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, exceeded the amount budgeted in the non-instructional and other expenditures functional area.
- Recommendation-The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response - We will watch closer next year, and amend if necessary.
- Conclusion - Response accepted.
- II-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for 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 - No business transactions between the District and District officials or employees were noted.
- 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 - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.
- Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.
- Response - We supply the minute within the allowed time; however, we can't control when they get published in the paper.
- Conclusion - Response accepted.
- II-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-I-05 Deposits and Investments - We noted 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.
- 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.

II-K-05 Financial Condition - During our audit we noted that the District had negative account balances in the Student Activity Fund.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit.

Response - We will talk to the sponsors, and try not to let it happen in the future.

Conclusion - Response accepted.