

Des Moines Independent Community School District

Basic Financial Statements and Supplementary Information

06.30.2005

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Education
Des Moines Independent Community School District
Des Moines, Iowa

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 Des Moines Independent Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, the business-type activities, each major fund and the aggregate remaining fund information of Des Moines Independent Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2005 on our consideration of the 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.

The Management's Discussion and Analysis on pages 3 through 13 and the Budgetary Comparison Schedule on pages 45 through 47 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining statements and individual fund statements as well as the accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget A-133, *Audits of States, Local Governments and Nonprofit Organizations*, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Davenport, Iowa
October 27, 2005

Des Moines Independent Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

This Management's Discussion and Analysis is provided by the management of the Des Moines Independent Community School District (District) to offer readers an overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage readers to consider this Discussion and Analysis presented here in conjunction with the financial statements, which follow.

Financial Highlights

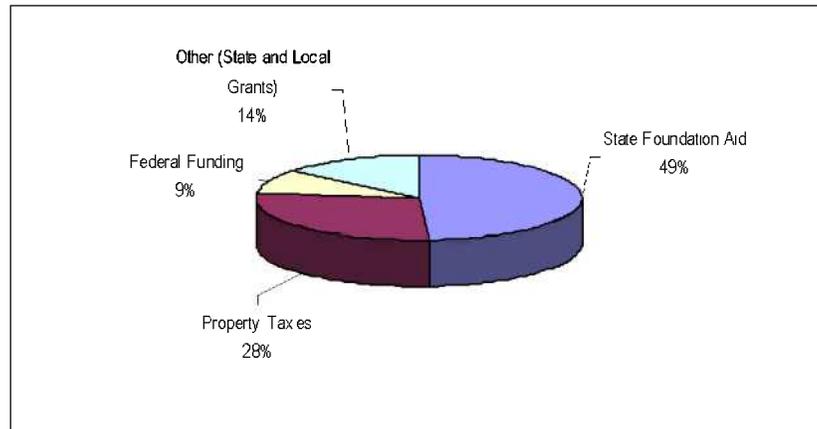
- **Budget:** The State of Iowa legislatively approved an allowable growth factor of 2% from fiscal year 2004 to fiscal year 2005 for the District's General Fund. This resulted in \$1.5 million of new regular program funding.

In April 2004, the board approved a budget for all funds of \$342.9 million (including transfers) for fiscal year 2005. In May 2005, the board approved a budget amendment of \$5.7 million, primarily to increase the General Fund budget to recognize increased federal, state and local grants received throughout the fiscal year that were not anticipated when the original budget was adopted.

The budget for the fourth year in a row continued to be tight. The District however, by making tough choices, was able to stay within its statutory budget in each of its legally required spending categories.

- **Revenue:** District-wide revenues were \$348.6 million, which primarily consisted of state aid, property taxes and sales taxes. General Fund revenues accounted for 79.4% of the District-wide revenue. Program specific revenues in the form of charges for services and grants, and contributions accounted for 23.8% percent of total fiscal year 2005 revenues.

The General Fund had \$276.8 million in revenues for fiscal year 2005, which primarily consisted of state aid and property taxes. General Fund revenues increased from \$266.8 million in fiscal year 2004 to \$276.8 million in fiscal year 2005. The 3.7% increase in General Fund revenues was attributable to increases in state aid, property taxes and other state, federal and local resources in fiscal year 2005.

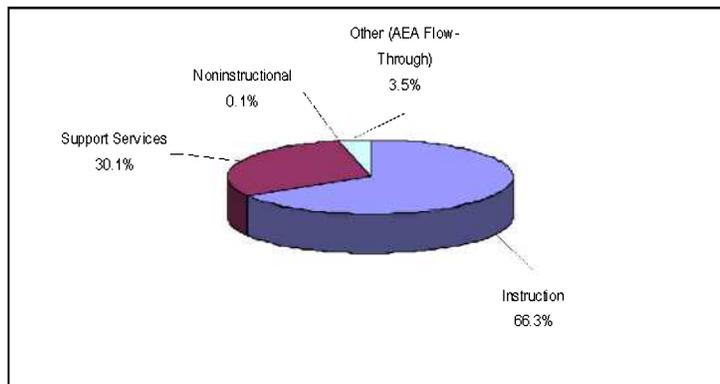


Des Moines Independent Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

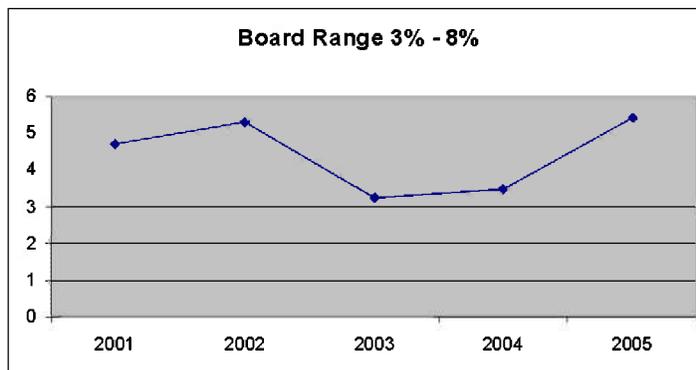
- **Expenses:** The District had \$286.2 million in expenses related to governmental activities, of which \$66.4 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$265.6 million provided for the remaining costs of these programs.

The General Fund had \$267.7 million in fiscal year 2005 expenses, which primarily consisted of instructional expenses. General Fund expenses decreased from \$267.9 in fiscal year 2004 to \$267.7 in fiscal year 2005. The decrease in General Fund expenses was primarily because spending on certain programs such as special education and school resource officers and certain line item expenses such as position control, substitutes, overtime and utilities were less than expected in fiscal year 2005.



- **General Fund Balance and Solvency Ratio:** The District's overall General Fund balance increased from \$11.5 million as of June 30, 2004 to \$20.6 million as of June 30, 2005. Correspondingly, the General Fund undesignated and unreserved portion of fund balance increased from \$9.3 million as of June 30, 2004 to \$15.4 million as of June 30, 2005. This increase is primarily because revenues exceeded budget expectations, expenditures were less than budget expectations and cash reserves were increased as planned.

The District's solvency ratio (unreserved-undesignated fund balance/General Fund revenues) increased from 3.47 percent to 5.6 percent in 2005.



The Board guidelines set a range of 3 percent – 8 percent for the District's solvency ratio. The Iowa Association of School Boards (IASB) considers a solvency ratio to be within "target" or "good" if it is within 5 percent – 10 percent, and therefore, "can handle the unexpected." Additionally, the IASB believes a solvency ratio of 10 percent – 15 percent to be "excellent."

Des Moines Independent Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

- **Debt:** The District's total debt decreased by a net of \$1.4 million during the current fiscal year. The last principal payment on the Des Moines Independent Community School District Series 1999 General Obligation Bonds was made June 1, 2005. These bonds were originally issued to refinance bonds from 1990 and 1991 and also bonds for \$3 million of new construction. After final payment of all principal and interest due on these bonds, \$252,528 remains in the Debt Service fund that was established to pay principal and interest on these bonds. The total outstanding bond and notes debt at the end of the fiscal year is approximately \$4 million. Subsequently in September, 2005, the board authorized transfer of these surplus funds from the Debt Service Fund to the Physical Plant and Equipment Levy (PPEL) fund in accordance with Iowa law.
- **Management Fund:** The District's early retirement plan changed effective July 1, 2002. Under the revised plan, it is the District's intent to create a special termination benefit which is being offered for a short period of time, that is continuance of the plan requires annual board approval. It was determined the benefits provided by the plan should be treated in accordance with NCGA18 as the plan does not meet the requirements of a postemployment benefit.

As renovated schools come back on line, the square footage and value of the District's school buildings continues to increase, thereby increasing the costs of the District's property and casualty insurance paid from the Management Fund.

The Management Fund property tax levy was increased during fiscal year 2005, to cover these increasing expenses and make the Management Fund solvent by the end of fiscal year 2005.

- **Capital Projects and Schools First Plan:** Revenues from sales taxes increased \$61,821 from fiscal year 2004 to 2005; however, expenses decreased by \$20.2 million from fiscal year 2004 to 2005 because five schoolhouse renovation projects were completed early in fiscal year 2005 and only two schools were under renovation during fiscal year 2005.

In addition, the Schools First Renovation Plan underwent a thorough mid-program review over the past year including a comprehensive review of revenue projections, building priorities and needs, enrollments, project budgets and current construction market conditions.

Overview of the Financial Statements

This Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

District-wide financial statements: The District-wide financial statements (also sometimes called "government-wide" financial statements) are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements provide both short-term and long-term information about the District's overall financial status. That is, all of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when the cash is received or paid.

Over time, increases or decreases in the District's net assets are an indicator of whether the financial position is improving or deteriorating, respectively. However, to assess the District's overall financial health, nonfinancial factors should also be considered, such as changes in the District's property tax base and the condition of District school buildings.

Des Moines Independent Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

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

- **Governmental activities:** These are activities primarily supported by property taxes and intergovernmental revenues such as state aid or federal funding, and expenditures are classified by function such as instruction, support services, operation and maintenance of plant, student transportation, operation of non-instructional services, and capital construction.
- **Business-type activities:** These are supported by fees charged by the District to help cover the costs of services such as food services, childcare services, home remodeling, automotive and a wellness center.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. These statements focus on individual parts (funds) of the District, reporting the District's operations in more detail than the District-wide statements. Some funds are required by state law or bond covenants; some are established to control and manage money for particular purposes.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the District-wide financial statements. These statements explain how basic services, such as regular program and special education, were financed in the short-term as well as what remains for future spending.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. This aggregated information includes Special Revenue Funds (Student Activity, Management, Physical Plant and Equipment Levy, Public Education and Recreation Levy, and Des Moines Public Schools Trust), the Debt Service Fund, Capital Projects (Sales Tax and Greenhouse) and the Permanent Fund.

- **Proprietary funds:** Proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, i.e. fees are charged to cover the cost of services rendered.

These funds include activities defined as enterprise funds and internal service funds. The District's enterprise funds include School Nutrition, Child Care, Home Remodeling, Automotive, and Wellness Center.

The District has four internal service funds, Self Insurance, Risk Management, Collage and Print Shop. Because all of these services predominately benefit the District's governmental activities, rather than the business-type activities, they have been included in the governmental activities in the District-wide financial statements.

- **Fiduciary funds:** Fiduciary funds provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the District-wide financial statements because the resources of those funds are not available to support the District's own programs. These funds include Pension Trust, Private Purpose Trust and Agency Funds.

Des Moines Independent Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

Notes to the basic financial statements: The financial statements also include notes that provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements.

Major features of the District-wide and fund financial statements:

	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	Activities that are not proprietary or fiduciary, such as instruction, administration, and building maintenance	Activities the District operates similar to private businesses such as school nutrition	Activities that the District administers resources on behalf of someone else, such as scholarships
Required financial statements	Statement of Net Assets	Balance Sheet	Statement of Net Assets	Statement of Fiduciary Net Assets
	Statement of Activities	Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Revenue, Expenses, and Changes in Net Assets	Statement of Changes in Fiduciary Net Assets
Accounting basis	Accrual accounting	Modified accrual accounting	Statement of Cash Flows Accrual accounting	Accrual accounting
Measurement focus	Economic resources focus	Current financial focus	Economic resources focus	Economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
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 within specified periods after year-end of the year; expenditures when goods or services are received and liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process. The District adopts an annual budget for all budgeted governmental funds, enterprise and trust funds in total. A budgetary comparison schedule has been provided.

Des Moines Independent Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

District-Wide Financial Analysis

Net assets: The following table presents a summary of the District's net assets for the year ended June 30, 2005 with comparison totals as of June 30, 2004.

	2005		2004	
	Governmental Activities	Business-Type Activities	Total	Total
Current assets	\$ 187,350,920	\$ 1,492,693	\$ 188,843,613	\$ 169,516,746
Capital assets, net	170,225,201	2,363,403	172,588,604	157,838,066
Other noncurrent assets	154,750	-	154,750	23,870
Total assets	357,730,871	3,856,096	361,586,967	327,378,682
Current liabilities	143,440,684	550,589	143,991,273	155,810,732
Long-term liabilities	13,073,443	29,994	13,103,437	12,867,305
	156,514,127	580,583	157,094,710	168,678,037
Net assets:				
Invested in capital assets, net of debt	166,212,168	2,363,403	168,575,571	152,380,519
Restricted	8,678,939	-	8,678,939	4,993,858
Unrestricted	26,325,637	912,110	27,237,747	1,326,268
Total net assets	\$ 201,216,744	\$ 3,275,513	\$ 204,492,257	\$ 158,700,645

The District's combined net assets were significantly greater as of June 30, 2005 than June 30, 2004. The increase occurred primarily in the governmental funds net capital assets as a result of the aggressive activities relative to the District's capital project spending as part of the District's Schools First Renovation Plan. It should be noted that the District uses these capital assets to provide educational service; consequently, these assets are not available for future spending. Unrestricted net assets also increased due to less than expected spending in the General and Capital Projects Fund and an increase in revenues in the Management and General Fund.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets. The same held true for the prior year.

Des Moines Independent Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

Changes in net assets: The following schedule shows the changes in net assets for the year ended June 30, 2005 with comparison totals for the year ended June 30, 2004. The difference between revenues and expenditures represents the change in net assets.

	2005			2004
	Governmental Activities	Business-Type Activities	Total	Total
Revenues:				
Program revenues:				
Charges for services	\$ 22,980,574	\$ 8,608,944	\$ 31,589,518	\$ 31,614,795
Operating grants and contributions	42,485,746	8,049,101	50,534,847	47,137,718
Capital grants and contributions	896,674	-	896,674	2,469,240
General revenues:				
Property taxes	95,796,242	-	95,796,242	87,744,733
Sales tax, capital projects	30,341,530	-	30,341,530	30,279,709
Investment earnings	1,396,742	-	1,396,742	539,591
State aid and other state sources	137,241,881	-	137,241,881	133,940,022
Other including transfers from fiduciary fund	805,225	-	805,225	1,440,272
Total revenues	331,944,614	16,658,045	348,602,659	335,166,080
Expenses:				
Instruction	191,094,307	-	191,094,307	196,440,822
Support services	84,367,438	-	84,367,438	86,808,814
Noninstructional	1,149,267	-	1,149,267	2,412,415
Other expenses	9,604,686	16,595,349	26,200,035	24,893,078
Total expenses	286,215,698	16,595,349	302,811,047	310,555,129
Revenues over (under) expenses before transfers	45,728,916	62,696	45,791,612	24,610,951
Transfers	(622,806)	622,806	-	-
Change in net assets	45,106,110	685,502	45,791,612	24,610,951
Beginning, net assets	156,110,634	2,590,011	158,700,645	134,089,694
Ending, net assets	\$ 201,216,744	\$ 3,275,513	\$ 204,492,257	\$ 158,700,645

- The main revenue sources of State aid and other state sources, property and sales taxes account for 76% of total revenue.
- The District's expenses primarily relate to instruction and support services which account for 91% of the total expenses.

Des Moines Independent Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

Governmental Activities

- State aid and other state sources, property taxes, and sales taxes are the primary sources of revenue for the District, 41 percent, 29 percent and 9 percent, respectively, of total revenues.
- Instruction constitutes the largest portion of expenditures at \$191 million or 66.8 percent. The District offers a wide array of programs including general and special education, vocational and college preparatory classes.
- The noninstructional and other expenses of the District accounted for 3.8 percent of total costs.
- Over 80 percent of the District's expenditures are for salaries and benefits.

Net Cost: The following table presents the total and net cost of the District's major governmental activities: instruction, support services, noninstructional programs and other expenses, with comparative totals for 2004.

	2005		2004	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 191,094,307	\$ (136,356,934)	\$ 196,440,822	\$ (142,877,982)
Other support services	84,367,438	(82,225,600)	86,808,814	(84,426,475)
Noninstructional programs	1,149,267	(1,110,874)	2,412,415	(1,932,100)
Other expenses	9,604,686	(159,296)	9,231,274	(90,488)
Total expenses	\$ 286,215,698	\$ (219,852,704)	\$ 294,893,325	\$ (229,327,045)

The cost financed by users of the District's programs was \$66.4 million.

Net cost of governmental activities was financed by general revenues, which are made up of primarily property taxes and state aid. Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$66.4 million or 23.2 percent of total governmental activities expenses.

Business-Type Activities – Change in Net Assets:

- The School Nutrition and Child Care programs constitute the majority of the business-type activities.
- The primary sources of income are federal revenues and charges for services.
- The School Nutrition's primary expenses are staff and commodities. The District's free and reduced participation continued to increase during the fiscal year. The School Nutrition Fund had a change in net assets of approximately \$0.7 million for fiscal year 2005.
- The primary source of revenue for the Child Care program is child care fees and the primary expense is staff. The Child Care Fund had a change in net assets of \$(724).

Des Moines Independent Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

Financial Analysis of the District's Funds

Governmental Funds Highlights

General Fund:

- The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$9.1 million, primarily because revenues exceeded budget expectations, expenditures were less than budget expectations and cash reserves increased. Therefore, the District's solvency ratio (unreserved-undesignated fund balance/General Fund revenues) increased from 3.47 percent to 5.6 percent.
- The increase in General Fund revenues over fiscal year 2004 was primarily attributable to increases in property taxes, state aid, federal grant and other local revenue in fiscal year 2005.
- The decrease in General Fund expenses compared to fiscal year 2004 was primarily because spending on certain programs such as special education and school resource officers, and certain line item expenses such as position control, substitutes, overtime and utilities were less than expected in fiscal year 2005.

Proprietary Fund Highlights

There are no major enterprise funds; however, the School Nutrition Fund net assets increased from June 30, 2004 to June 30, 2005. The District's percent of students eligible for free and reduced meals increased from fiscal year 2004 to 2005, resulting in increased federal funding to cover these meals.

Budgetary Highlights

In accordance with state law, the School Board annually adopts a budget following the public notice and hearing requirements. Although the budget documents presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared in accordance with accounting principles generally accepted in the United States of America. As is the District's practice, the District modified its adopted budget once during fiscal 2005.

- The District again, remained within its final certified budget for all District governmental funds as required by law.
- The District's General Fund or operating fund continues to remain financially solvent even though the fund's budget has withstood \$30.1 million in budget reductions over the past four years.
- The District received 100.4 percent of budgeted General Fund revenues because other revenues, such as tuition and transportation fees, interest income and revenue from local sources were more than anticipated.
- The District spent 97.1 percent of budgeted General Fund expenditures. Expenditures were less than anticipated because spending on certain programs and certain line items were less than anticipated.
- At the end of fiscal year 2005, the Unspent Authorized Budget ratio for the General Fund was 6.6 percent of the total maximum budget. This ratio improved somewhat from the prior year.

Des Moines Independent Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

Capital Assets and Debt Administration

Capital Assets: As of June 30, 2005, the District had invested \$172.6 million in capital assets, including school buildings, athletic facilities, buses and other vehicles, computers, and other equipment. This amount represents a net increase of \$14.8 million from last year, primarily due to the new construction and renovation projects in the District's ten-year Schools First Renovation Plan.

The following schedule presents capital asset balances, net of accumulated depreciation, for the fiscal year ended June 30, 2005, compared with balances as of June 30, 2004:

	2005			2004
	Government Activities	Business-Type Activities	Total	Total
Land and improvements	\$ 4,216,341	\$ 31,482	\$ 4,247,823	\$ 4,348,102
Buildings and improvements	97,505,812	-	97,505,812	96,171,066
Vehicles, furniture and equipment	4,686,637	2,331,921	7,018,558	5,987,464
Construction-in-progress	63,816,411	-	63,816,411	51,331,434
Total	\$ 170,225,201	\$ 2,363,403	\$ 172,588,604	\$ 157,838,066

Additional information on the District's capital assets can be found in Note 5 to the basic financial statements.

Debt Administration: As of June 30, 2005, the District had \$4,015,000 in general obligation bonds and notes outstanding, of which \$470,000 is due within one year. The following table presents a summary of the District's outstanding long-term debt for the year ended June 30, 2005, with comparative information as of June 30, 2004:

	2005	2004
Capital loan notes	\$ 3,015,000	\$ 4,460,000
General obligation bonds	1,000,000	1,000,000
Total	\$ 4,015,000	\$ 5,460,000

State statutes currently limit the amount of general obligation debt a district may issue to five percent of its total assessed valuation. The current debt limitation for the District is \$440,802,042 which is substantially more than the District's outstanding general obligation debt.

In addition, the District's Iowa School Cash Anticipation warrants of \$5,000,000 are scheduled to mature in fiscal year 2006. Additional information about the District's debt can be found in Note 6 to the basic financial statements.

Des Moines Independent Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

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 affect its financial health in the future:

- District enrollment declined from September 2004 to September 2005 by 0.8 percent. Therefore, the total combined District cost for fiscal year 2006 will decline by approximately \$1.3 million.
- In July 2005, the Board of Directors approved the recommendations contained in the Schools First Mid-Program Review. The recommendations included a combination of strategies: school closures, program relocation, attendance area restructuring, school mergers, disposal of property, acquisition of property, upgrading of completed and yet to be renovation projects, new building initiatives, new school buildings and major building additions.
- In August 2005, the 8th Circuit Court of Appeals in its decision on Jankovitz vs. Des Moines Independent School District, held that an age cap on an employee's eligibility to participate in an early retirement plan is age discriminatory. Heretofore, the District had said the early retirement program was limited to employees age 55 – 65, with ten years of service because this coincided with state law that permitted early retirement expenses for employees age 55 – 65 to be paid from the Management Fund rather than the General Fund. In November 2005, the District's Board of Directors approved the removal of the upper age cap in the current early retirement plan document. Therefore, going forward, employees who are greater than 65 years old, wishing to participate in the District's early retirement program will be eligible and those costs will be borne by the General Fund.
- The last principal payment on the Des Moines Independent Community School District Series 1999 General Obligation Bonds was made June 1, 2005. These bonds were originally issued to refinance bonds from 1990 and 1991 and also bond for \$3 million of new construction. After final payment of all principal and interest due on these bonds, \$252,528 remained in the Debt Service Fund that was established to pay principal and interest on these bonds. The total outstanding debt at the end of the fiscal year is \$4.0 million. Subsequently, in September 2005, the Board authorized transfer of these surplus funds from the Debt Service Fund to the Physical Plant and Equipment Levy (PPEL) fund in accordance with Iowa law.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Business and Finance Department, Des Moines Independent Community School District, 1801-16th Street, Des Moines, Iowa 50314-1992.

Des Moines Independent Community School District

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and investments	\$ 60,622,804	\$ 839,699	\$ 61,462,503
Restricted cash and investments	1,928,450	-	1,928,450
Investment, ISCAP	5,074,791	-	5,074,791
Property taxes receivable - current year	1,624,030	-	1,624,030
Property taxes receivable - succeeding year	96,901,103	-	96,901,103
Interest receivable	1,078	-	1,078
Other receivables, net of allowances for uncollectible of \$29,196	1,494,924	146,853	1,641,777
Due from other governments	19,054,849	319,679	19,374,528
Inventories	455,055	186,112	641,167
Prepaid expenses	193,836	350	194,186
Total current assets	187,350,920	1,492,693	188,843,613
Noncurrent assets:			
Restricted investments	134,500	-	134,500
Bond issuance costs	20,250	-	20,250
Capital assets - nondepreciable	66,194,159	31,482	66,225,641
Capital assets - depreciable, net	104,031,042	2,331,921	106,362,963
Total capital assets	170,225,201	2,363,403	172,588,604
Total noncurrent assets	170,379,951	2,363,403	172,743,354
Total assets	\$ 357,730,871	\$ 3,856,096	\$ 361,586,967

See Notes to Basic Financial Statements.

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Accounts payable	\$ 3,486,916	\$ 86,930	\$ 3,573,846
Interest payable	728	-	728
General obligation bonds and notes	470,000	-	470,000
Accrued payroll	26,545,023	322,203	26,867,226
Other current liabilities	1,529,028	24,203	1,553,231
Due to other governments	2,745,979	1,125	2,747,104
Deferred revenue-succeeding year property taxes	96,901,103	-	96,901,103
Unearned revenue	1,861,329	-	1,861,329
Compensated absences	1,976,617	116,128	2,092,745
Special termination benefits	2,923,961	-	2,923,961
ISCAP warrant payable	5,000,000	-	5,000,000
Total current liabilities	143,440,684	550,589	143,991,273
Noncurrent liabilities:			
Retrospective insurance rating plan	468,145	-	468,145
Compensated absences	847,349	29,994	877,343
Special termination benefits	8,194,666	-	8,194,666
Bond premiums	18,283	-	18,283
General obligation bonds and notes	3,545,000	-	3,545,000
Total noncurrent liabilities	13,073,443	29,994	13,103,437
Total liabilities	156,514,127	580,583	157,094,710
Net Assets			
Invested in capital assets, net of related debt	166,212,168	2,363,403	168,575,571
Restricted for:			
Debt service	387,028	-	387,028
Donor-restricted purposes	4,257,090	-	4,257,090
Purpose restricted	4,034,821	-	4,034,821
Unrestricted	26,325,637	912,110	27,237,747
Total net assets	201,216,744	3,275,513	204,492,257
Total net assets and liabilities	\$ 357,730,871	\$ 3,856,096	\$ 361,586,967

Des Moines Independent Community School District

Statement of Activities Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Instructional	\$ 191,094,307	\$ 12,378,325	\$ 41,676,756	\$ 682,292
Student services	16,566,058	-	290,500	-
Instructional support services	5,322,439	-	196,262	-
General administration	5,246,763	-	-	128,557
Building administration	15,046,750	-	-	-
Business and central administration	6,669,808	806,925	2,000	85,825
Plant operation and maintenance	26,731,721	-	-	-
Student transportation	8,783,899	311,541	320,228	-
Noninstructional	1,149,267	38,393	-	-
AEA support	9,445,390	9,445,390	-	-
Interest on long-term debt	159,296	-	-	-
Total governmental activities	286,215,698	22,980,574	42,485,746	896,674
Business-type activities:				
School nutrition	12,207,914	4,238,988	8,037,130	-
Child care	4,277,713	4,276,989	-	-
Other	109,722	92,967	11,971	-
Total business-type activities	16,595,349	8,608,944	8,049,101	-
Total primary government	\$ 302,811,047	\$ 31,589,518	\$ 50,534,847	\$ 896,674
General revenues:				
Property taxes:				
Levied for general purposes				
Levied for management				
Levied for property, plant, and equipment				
Levied for playground				
Levied for debt service				
Sales tax, for capital projects				
State foundation aid				
Investment earnings				
Other local sources				
State sources				
Transfers from fiduciary fund				
Transfers				
Total general revenues				
Changes in net assets				
Net assets, beginning of year				
Net assets, end of year				

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Totals
\$ (136,356,934)	\$ -	\$ (136,356,934)
(16,275,558)	-	(16,275,558)
(5,126,177)	-	(5,126,177)
(5,118,206)	-	(5,118,206)
(15,046,750)	-	(15,046,750)
(5,775,058)	-	(5,775,058)
(26,731,721)	-	(26,731,721)
(8,152,130)	-	(8,152,130)
(1,110,874)	-	(1,110,874)
-	-	-
(159,296)	-	(159,296)
(219,852,704)	-	(219,852,704)
-	68,204	68,204
-	(724)	(724)
-	(4,784)	(4,784)
-	62,696	62,696
(219,852,704)	62,696	(219,790,008)
77,061,329	-	77,061,329
11,612,920	-	11,612,920
5,582,876	-	5,582,876
711,481	-	711,481
827,636	-	827,636
30,341,530	-	30,341,530
135,379,841	-	135,379,841
1,396,742	-	1,396,742
805,062	-	805,062
1,862,040	-	1,862,040
163	-	163
(622,806)	622,806	-
264,958,814	622,806	265,581,620
45,106,110	685,502	45,791,612
156,110,634	2,590,011	158,700,645
\$ 201,216,744	\$ 3,275,513	\$ 204,492,257

Des Moines Independent Community School District

Balance Sheet Governmental Funds June 30, 2005

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 39,415,000	\$ 19,632,781	\$ 59,047,781
Restricted cash and investments	-	2,062,950	2,062,950
Investment, ISCAP	5,074,791	-	5,074,791
Property taxes receivable - current year	1,314,693	309,337	1,624,030
Property taxes receivable - succeeding year	82,231,851	14,669,252	96,901,103
Interest receivable	1,078	-	1,078
Other receivables	56,283	14,506	70,789
Due from other funds	-	826,565	826,565
Due from other governments	12,213,090	6,841,759	19,054,849
Inventories	408,381	-	408,381
Prepaid items	65,269	38,027	103,296
Total assets	\$ 140,780,436	\$ 44,395,177	\$ 185,175,613
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,390,068	\$ 1,976,376	\$ 3,366,444
Accrued payroll	26,509,180	35,843	26,545,023
Special termination benefits	-	1,916,845	1,916,845
Matured interest payable	728	-	728
Other current liabilities	377,027	1,152,001	1,529,028
Due to other funds	-	826,565	826,565
Due to other governments	2,669,036	76,943	2,745,979
Deferred revenue	84,063,091	14,674,722	98,737,813
Compensated absences	200,581	-	200,581
ISCAP warrant payable	5,000,000	-	5,000,000
Total liabilities	120,209,711	20,659,295	140,869,006
Fund balances:			
Reserved for:			
Inventories	408,381	-	408,381
Prepaid items	65,269	38,027	103,296
Purpose restricted	4,034,821	-	4,034,821
Restricted for East High School	-	1,398,992	1,398,992
Restricted for Greenwood Elementary	-	529,458	529,458
Permanent trusts	-	10,076	10,076
Debt service	-	387,028	387,028
Unreserved:			
Designated	656,820	-	656,820
Undesignated, reported in:			
General Fund	15,405,434	-	15,405,434
Special revenue funds	-	7,788,537	7,788,537
Capital projects funds	-	13,583,764	13,583,764
Total fund balances	20,570,725	23,735,882	44,306,607
Total liabilities and fund balances	\$ 140,780,436	\$ 44,395,177	\$ 185,175,613

See Notes to Basic Financial Statements.

Des Moines Independent Community School District

**Reconciliation of Total Governmental Fund Balances to Net Assets
of Governmental Activities**

June 30, 2005

Total governmental fund balances \$ 44,306,607

Amount reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	\$ 2,377,748	
Construction-in-progress	63,816,411	
Land improvements	7,223,138	
Buildings and improvements	165,500,374	
Vehicles, furniture and equipment	12,059,072	
Accumulated depreciation	<u>(80,876,676)</u>	170,100,067

Internal service funds are used by management to charge the costs of certain activities, such as self-insurance benefits for employees and print shop services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

3,099,580

Certain liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. These liabilities at year-end consist of:

Compensated absences	(2,606,550)	
General obligation bonds and notes payable	(4,015,000)	
Bond issuance costs	20,250	
Bond premiums	(18,283)	
Retrospective insurance rating plan	(468,145)	
Special termination benefit	<u>(9,201,782)</u>	<u>(16,289,510)</u>
Net assets of governmental activities		<u><u>\$ 201,216,744</u></u>

See Notes to Basic Financial Statements.

Des Moines Independent Community School District

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2005**

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 77,061,329	\$ 18,734,913	\$ 95,796,242
Other local sources	11,152,123	1,871,854	13,023,977
Sales tax, for capital projects	-	30,341,530	30,341,530
Investment earnings	854,946	541,796	1,396,742
Intermediate sources	7,021,145	-	7,021,145
State foundation aid	135,379,841	-	135,379,841
State sources	21,545,946	14,024	21,559,970
Federal sources	23,679,437	89,456	23,768,893
Student activities	49,770	3,070,773	3,120,543
Total revenues	276,744,537	54,664,346	331,408,883
Expenditures:			
Current:			
Instructional	177,500,669	7,894,755	185,395,424
Student services	16,519,121	11,404	16,530,525
Instructional support services	5,223,161	56,814	5,279,975
General administration	3,765,297	1,352,334	5,117,631
Building administration	14,584,078	595,207	15,179,285
Business and central administration	5,956,032	356,067	6,312,099
Plant operation and maintenance	26,741,387	426,591	27,167,978
Student transportation	7,831,027	551,144	8,382,171
Noninstructional	177,404	722,115	899,519
AEA support	9,445,390	-	9,445,390
Capital outlay	-	20,498,715	20,498,715
Debt service:			
Principal retirement	-	1,445,000	1,445,000
Interest	-	158,810	158,810
Total expenditures	267,743,566	34,068,956	301,812,522
Excess of revenues over expenditures	9,000,971	20,595,390	29,596,361
Other financing sources (uses):			
Proceeds from sale of capital assets	23,313	-	23,313
Transfers in	49,298	565,473	614,771
Transfers out	-	(1,237,414)	(1,237,414)
Total other financing sources (uses)	72,611	(671,941)	(599,330)
Net changes in fund balances	9,073,582	19,923,449	28,997,031
Fund balances, beginning of year	11,497,143	3,812,433	15,309,576
Fund balances, end of year	\$ 20,570,725	\$ 23,735,882	\$ 44,306,607

See Notes to Basic Financial Statements.

Des Moines Independent Community School District

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2005**

Net change in fund balances - total governmental funds \$ 28,997,031

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay	\$ 18,530,798	
Depreciation expense	(4,170,005)	
Proceeds from sale of capital assets	(23,313)	
Loss on sale of capital assets	(367,547)	
		13,969,933

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs and premiums, whereas these amounts are deferred in and amortized in the statement of activities:

Repayment of bond and note principal	1,445,000	
Amortization of premiums and bond issuance costs	(486)	
		1,444,514

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

Increase in compensated absences	(172,818)	
Decrease in retrospective insurance rating plan	429,756	
Increase in special termination benefits	(1,303,443)	
		(1,046,505)

Internal service funds are used by management to charge the costs of certain activities, such as self insurance benefits for employees and print shop services, to individual funds. The change in net assets in the internal service funds is reported with governmental activities in the statement of activities.

		1,741,137
Change in net assets of governmental activities		\$ 45,106,110

See Notes to Basic Financial Statements.

Des Moines Independent Community School District

Statement of Net Assets
 Proprietary Funds
 June 30, 2005

	Nonmajor Enterprise Funds	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 839,699	\$ 1,575,023
Other receivables, net of allowances for uncollectible of \$29,196	146,853	1,424,135
Due from other governments	319,679	-
Due from other funds	5,083	27,283
Inventories	186,112	46,674
Prepaid expenses	350	90,540
Total current assets	1,497,776	3,163,655
Noncurrent assets, nondepreciable capital assets	31,482	-
Noncurrent assets, depreciable capital assets, net	2,331,921	125,134
Total assets	\$ 3,861,179	\$ 3,288,789
Liabilities		
Current liabilities:		
Accounts payable	\$ 86,930	120,472
Accrued payroll	322,203	-
Other current liabilities	24,203	-
Due to other funds	5,083	27,283
Due to other governments	1,125	-
Deferred revenue	-	24,619
Compensated absences	116,128	7,835
Total current liabilities	555,672	180,209
Noncurrent liabilities, compensated absences	29,994	9,000
Total liabilities	585,666	189,209
Net Assets		
Invested in capital assets, net of related debt	2,363,403	125,134
Unrestricted	912,110	2,974,446
Total net assets	3,275,513	3,099,580
Total liabilities and net assets	\$ 3,861,179	\$ 3,288,789

See Notes to Basic Financial Statements.

Des Moines Independent Community School District

**Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2005**

	Nonmajor Enterprise Funds	Internal Service Funds
Operating revenues:		
Student activities	\$ 30,015	\$ -
Charges for services:		
Employee benefits	-	34,594,045
Sale of food	4,238,021	-
Child care	4,271,358	-
Miscellaneous	69,550	339,295
Total operating revenues	8,608,944	34,933,340
Operating expenses:		
Student services	12,010,268	-
Depreciation	254,279	10,273
Community services	4,330,802	-
Employee benefits	-	32,879,051
Miscellaneous	-	302,879
Total operating expenses	16,595,349	33,192,203
Operating income (loss)	(7,986,405)	1,741,137
Nonoperating revenues:		
Other local sources	105,193	-
State sources	138,308	-
Federal sources	7,805,600	-
Total nonoperating revenues	8,049,101	-
Income before transfers	62,696	1,741,137
Transfers in	622,806	-
Changes in net assets	685,502	1,741,137
Total net assets, beginning of year	2,590,011	1,358,443
Total net assets, end of year	\$ 3,275,513	\$ 3,099,580

See Notes to Basic Financial Statements.

Des Moines Independent Community School District

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2005

	Nonmajor Enterprise Funds	Internal Service Funds
Cash Flows From Operating Activities:		
Cash received from user charges	\$ 8,619,390	\$ 35,040,931
Cash payments to employees for services	(9,587,618)	(196,289)
Cash payments to suppliers for goods and services	(5,950,977)	(37,141,853)
Net cash (used in) operating activities	(6,919,205)	(2,297,211)
Cash Flows From Noncapital Financing Activities:		
Payments from other funds	11,927	87,411
Payments to other funds	(11,927)	(87,411)
Transfers from other funds	622,806	-
Nonoperating grants and donations received	7,038,904	-
Net cash provided by noncapital financing activities	7,661,710	-
Cash Flows From Capital and Related Financing Activities, acquisition of capital assets		
	(1,045,157)	-
Net (decrease) in cash and cash equivalents	(302,652)	(2,297,211)
Cash and Cash Equivalents, beginning of year	1,142,351	3,872,234
Cash and Cash Equivalents, end of year	\$ 839,699	\$ 1,575,023
Reconciliation of Operating (Loss) Income to Net Cash (Used in)		
Operating Activities:		
Operating (loss) income	\$ (7,986,405)	\$ 1,741,137
Adjustments to reconcile operating (loss) income to net cash (used in) operating activities:		
Depreciation	254,279	10,273
Commodities used	746,499	-
Changes in assets and liabilities:		
Receivables	5,292	(1,162,305)
Inventories	64,855	6,236
Prepaid expenses	(350)	(1,041)
Accounts payable and due to other governments	9,074	119,619
Deferred revenue	-	824
Accrued liabilities	(17,603)	2,225
Other current liabilities	5,154	(3,014,179)
Net cash (used in) operating activities	\$ (6,919,205)	\$ (2,297,211)
Noncash Noncapital Financing Activities, commodities received from the U.S. Department of Agriculture		
	\$ 746,499	\$ -

See Notes to Basic Financial Statements.

Des Moines Independent Community School District

Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2005

	Pension Trust	Private Purpose Trust	Agency
Assets			
Cash and cash equivalents	\$ -	\$ 496,564	\$ 239,138
Investments:			
Money market	7,293,524	-	-
U.S. government securities	65,744,812	226,436	-
Corporate equities	40,289,292	2,030	-
Mortgage-backed securities	55,125,682	-	-
Corporate obligations	34,882,560	-	-
Preferred stock	3,581,000	-	-
Municipal bonds	4,454,379	-	-
Other fixed income securities	2,665,250	-	-
Interest receivable	2,181,281	342	-
Other receivables	-	1,500	-
Total assets	\$ 216,217,780	\$ 726,872	\$ 239,138
Liabilities			
Accounts payable	\$ -	\$ 4,000	\$ 6,040
Due to other governmental units	-	-	233,098
Total liabilities	-	4,000	\$ 239,138
Net Assets			
Held in trust for:			
Employees' pension benefits	216,217,780	-	
Scholarships	-	722,872	
Total net assets	216,217,780	722,872	
Total liabilities and net assets	\$ 216,217,780	\$ 726,872	

See Notes to Basic Financial Statements.

Des Moines Independent Community School District

Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds
 For the Year Ended June 30, 2005

	Pension Trust	Private Purpose Trust
Additions:		
Contributions:		
Employer	\$ 1,907,028	\$ -
Employee	1,702,580	-
Private source	-	8,010
Investment earnings	11,626,312	13,435
Total additions	15,235,920	21,445
Deductions:		
Benefit payments	11,704,556	-
Resignation refunds	75,550	-
Death settlements	271,371	-
Scholarship awarded	-	19,250
Administrative costs	243,006	-
Other	-	300
Transfers out	-	163
Total deductions	12,294,483	19,713
Changes in net assets	2,941,437	1,732
Net assets, beginning of year	213,276,343	721,140
Net assets, end of year	\$ 216,217,780	\$ 722,872

See Notes to Basic Financial Statements.

Des Moines Independent Community School District

Notes to Basic Financial Statements

Note 1. Reporting Entity, Measurement Focus, Basis of Accounting and Financial Statement Presentation and Significant Accounting Policies

The financial statements of the Des Moines Independent Community School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting entity:

The Board of Education (the Board) is organized under the Iowa Code. Management of the District is independent of other state or local governments. The County Treasurer collects taxes for the District, but exercises no control over its expenditures.

The membership of the Board consists of seven members elected by the public. Under existing statutes, the Board's duties and powers include, but are not limited to, the acquisition, maintenance and disposition of school property; the development and adoption of a school program; and the establishment, organization, and operation of schools.

The Board also has broad financial responsibilities, including the approval of the annual budget, and the establishment of a system of accounting and budgetary controls. The District's major operations include education, pupil transportation, construction and maintenance of District facilities and food service.

The District is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. The financial statements of the District include all District operations required to be included in accordance with Governmental Accounting Standards Board (GASB) pronouncements concerning the reporting entity. 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 GASB has set forth criteria to be considered in determining financial accountability. These criteria are: a) 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; and b) fiscal dependency. In addition, the GASB issued Statement No. 39, in May 2002, which sets forth additional criteria to determine whether certain organizations for which the District is not financially accountable should be reported as component units based on the nature and significance of their relationship with the District. These criteria include 1) the economic resources being received or held by the separate organization being entirely or almost entirely for the direct benefit of the District, its component units, or its constituents, 2) the District being entitled to, or having the ability to otherwise access, a majority of the economic resources received or held by the District and 3) the economic resources received or held by an individual organization that the District is entitled to, or has the ability to otherwise access, are significant to the District. The District evaluated certain alumni foundations and determined those foundations to not be significant to the District as a whole. Therefore, the District has no component units, which meet the GASB criteria and should be included in these basic financial statements. In addition, the District is not aware of any entity, which would exercise such oversight over it, which would result in the District being considered a component unit of that entity.

Des Moines Independent Community School District

Notes to Basic Financial Statements

Note 1. Reporting Entity, Measurement Focus, Basis of Accounting and Financial Statement Presentation and Significant Accounting Policies (Continued)

District-wide and fund financial statements: The District-wide financial statements (i.e., the statement of net assets and the statement of activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. Interfund activity has been eliminated. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District's business-type activities are: school nutrition, child care, automotive, home remodeling and wellness center.

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

The District applies restricted resources first when an expense is incurred for the purpose for which both restricted and unrestricted net assets are available. Depreciation expense can be specifically identified by function and is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the statement of activities.

Separate financial statements are provided for governmental, proprietary and fiduciary funds. Fiduciary funds are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the governmental fund financial statements.

The internal service funds are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statements of the internal service funds are included in the governmental activities column when presented in the District-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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 revenue of the District's proprietary funds are charges to customers for service. Operating expenses for the proprietary funds include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In applying the provisions of GASB Statement No. 20, the District adopted all applicable GASB pronouncements as well as all Financial Accounting Standards Board (FASB) statements for enterprise funds issued on or before November 30, 1989, with the exception of those pronouncements that conflict with GASB pronouncements. The District has elected not to adopt FASB statements and interpretations issued after November 30, 1989.

Des Moines Independent Community School District

Notes to Basic Financial Statements

Note 1. Reporting Entity, Measurement Focus, Basis of Accounting and Financial Statement Presentation and Significant Accounting Policies (Continued)

Measurement focus, basis of accounting and financial statement presentation:

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

Fund financial statements: 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are considered to be available if collected within 60 days of fiscal year-end. State revenue is recognized in the year to which it applies. Grants and similar awards are recognized as revenue as soon as all eligibility requirements have been met. Grants and other revenue is considered available if collected within one year. Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements.

Property taxes are certified (levied) on July 1 by District governments based on the assessed valuation of property as of each January 1, become a lien against the property on July 1, and are due and collectible in installments on September 30 and March 31. Property taxes become delinquent on October 1 and April 1. Current year delinquent property taxes receivable represent the estimated amounts remaining to be collected on taxes levied through June 30. The succeeding year property taxes receivable represent taxes certified by the Board of Education to be collected in the next fiscal year for purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. For accounting and financial reporting purposes, an enforceable legal claim is deemed to exist upon certification by the County Auditor. However, the property taxes certified are intended to finance the subsequent fiscal year. Accordingly, the succeeding year property taxes receivable have been recorded and have been deferred and will not be recognized as revenue until the year for which it is levied. For the fiscal year ended June 30, 2005, the amount of deferred revenue for the succeeding year is \$96,901,103 (\$82,231,851 General Fund).

The District reports the following major governmental funds:

General Fund: The General Fund accounts for all resources used to finance District operation and maintenance, except those required to be accounted for in other funds.

Des Moines Independent Community School District

Notes to Basic Financial Statements

Note 1. Reporting Entity, Measurement Focus, Basis of Accounting and Financial Statement Presentation and Significant Accounting Policies (Continued)

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The proprietary funds are presented as totals for the enterprise and internal service funds; the District does not have any major enterprise funds. Fiduciary funds are reported by fund type.

Significant accounting policies:

The more significant accounting policies of the District are described below:

Investments: The investments are stated at fair value. Short-term investments are reported at cost which approximates fair value. Securities traded in a national or international exchange are valued at the last reported sales price at the current exchange rates. There are no investments in a fund earning income that are recorded in another fund.

The District has invested in Guaranteed Interest Contracts (GIC) under the Iowa School Cash Anticipation Program (ISCAP). The ISCAP makes proceeds of short-term ISCAP warrants notes available in anticipation of the receipt of grant funds and ad valorem tax receipts in an amount legally available and sufficient to cover anticipated cash flow needs in the General Fund.

Investment earnings: Investment earnings are composed of interest, dividends and net changes in the fair value of applicable investments.

Receivables: All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles, if applicable.

Inventories: Inventories are valued at the moving average cost for purchased items and contributed value (fair value at the date received) for government commodities and other donated items. Inventories are recorded as expenses when consumed in the District-wide financial statements and proprietary funds' financial statements. In the governmental fund financial statements, inventories are accounted for using the consumption method whereby inventory acquisitions are recorded in inventory accounts when purchased and are charged to operations when consumed or sold. Therefore, a reservation of governmental fund balance is required.

Prepaid expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and fund financial statements.

Capital assets: Capital assets which include land; land improvements; buildings and improvements; vehicles, furniture, equipment; and construction-in-progress are reported in the District-wide financial statements and the proprietary funds' financial statements.

Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more (\$1,000 or more for the School Nutrition Fund) and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation.

Des Moines Independent Community School District

Notes to Basic Financial Statements

Note 1. Reporting Entity, Measurement Focus, Basis of Accounting and Financial Statement Presentation and Significant Accounting Policies (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Land improvements	20 years
Buildings and improvements	20 - 50 years
Vehicles, furniture and equipment	5 - 15 years

The District's collection of library books and other similar assets are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Cash flows: For purpose of the cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Compensated absences: The District's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. Accrued sick leave is earned by all full-time employees at the rate of 15 days annually. Sick leave balances are not paid upon termination of employment. Full-time employees earn vacation in accordance with their employment agreement. The current and long-term liabilities for accumulated vacation are accrued when incurred in the District-wide and proprietary funds' financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements.

Postemployment benefits: The District provides health insurance coverage to eligible employees who retire prior to age 65 on the same terms as active employees until the retiree reaches 65 years of age, at which time the District ceases providing this benefit. The District finances the health benefits on a pay-as-you-go basis in the governmental fund financial statements.

Long-term obligations: In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities on the statement of net assets. As of June 30, 2005, the District did not have any long-term obligations related to its business-type activities or proprietary funds. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, through current year operations. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Des Moines Independent Community School District

Notes to Basic Financial Statements

Note 1. Reporting Entity, Measurement Focus, Basis of Accounting and Financial Statement Presentation and Significant Accounting Policies (Continued)

Fund equity: In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The Wellness Center Fund, a nonmajor enterprise fund, ended the year with a negative fund balance of \$5,083. An increase in the number of District and non-District enrollees to the Center is expected to eliminate this fund's deficit balance for fiscal year 2006. The Collage Fund, an internal service fund, ended the year with a negative fund balance of \$10,623. The Collage Fund will continue to support the peripheral instructional needs of the District's instructional staff during fiscal year 2006. An increase in the hours of operation and services provided will generate additional revenue that is expected to gradually eliminate this fund's deficit.

Net assets: Net assets represent the difference between assets and liabilities in the District-wide financial statements. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. Net assets are reported as restricted in the District-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Restricted assets included in the District's government-wide statements include assets restricted for 1) Debt Service to be used for future debt requirements, 2) Donor-Restricted Purposes, which includes the net assets in the DMPS Fund to be used for the Smouse School, Permanent Fund to be used for teacher education and training, and assets held in the Sales Tax Fund for future construction costs of East High School and Greenwood Elementary, and 3) Purpose Restricted, which includes assets restricted for various grant and Medicaid programs.

Interfund activity: Any residual balances outstanding between the governmental activities and the business-type activities are reported in the District-wide financial statements as "internal balances".

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are eliminated in the statement of activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Des Moines Independent Community School District

Notes to Basic Financial Statements

Note 2. Legal Compliance

The District operates within the budget requirements for school districts as specified by state law and as prescribed by the Iowa Department of Management.

The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the functional area for budgeted governmental, enterprise, and private purpose trust funds in total, rather than by individual fund type. Formal and legal budgetary control is based on four major classes of expenditures known as functional areas. These four functional areas are instruction, support services, noninstructional programs and other expenditures. The District adopts its annual program budget on a GAAP basis of accounting.

As allowed by GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*, the District presents budgetary comparison as required supplementary information based on the program structure as required by state statute for its legally adopted budget.

Note 3. Cash and Cash Equivalents and Investments

As of June 30, 2005, the District's cash, cash equivalents and investments (including fiduciary fund assets) were as follows:

Cash and other deposits	\$ 33,183,313
Investments, primarily pension trust	250,417,598
	<u>\$ 283,600,911</u>

Authorized investments: The District is authorized by statute to invest public funds not currently needed for operating expenses in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured Iowa depository institutions approved by the Board; prime eligible bankers' acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts. However, the District's investment policy additionally limits investments in commercial paper to obligations at the time of purchase rated within the two highest ratings issued by nationally recognized statistical rating organizations with a maturity less than 270 days, with no more than five percent at the time of purchase placed in the second highest classification. The District's investment policy additionally limits investments in prime bankers' acceptances that mature within 270 days and that are eligible for purchase by a federal reserve bank.

The above description of authorized investments does not apply to the Des Moines Teachers' Retirement System (DMTRS) Pension Trust Fund, whose investments are governed by the underlying Plan document, or investments donated to the District. As of June 30, 2005, all District investments in corporate bonds and stocks were held by the DMTRS or represent stock donated to special revenue and fiduciary funds. All the District investments, other than donated investments, are held in securities backed by the U.S. Government or its agencies.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy requires operating funds to be invested in investments that mature within three hundred and ninety-seven days or less. When investing other than operating funds, the investments must mature according to the needs of the funds. Operating funds of the district are funds which are reasonably expected to be used during a current budget year or within fifteen months of receipt.

Des Moines Independent Community School District

Notes to Basic Financial Statements

Note 3. Cash and Cash Equivalents and Investments (Continued)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Des Moines Independent Community School District (without DMTRS)

	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Corporate equities - donated	\$ 1,428,111	N/A	N/A	N/A	N/A
U.S. Government Securities	1,728,697	\$ -	\$ 223,875	\$ 1,502,261	\$ 2,561
ISCAP Investment (GIC)	5,074,791	5,074,791	-	-	-
Iowa Schools Joint Investment Trust	28,015,000	28,015,000	-	-	-
QZAB Sinking Fund, Guaranteed Investment Contract	134,500	-	-	134,500	-
	\$ 36,381,099	\$ 33,089,791	\$ 223,875	\$ 1,636,761	\$ 2,561

Des Moines Teachers' Retirement System (DMTRS)

	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Money Market Mutual Funds	\$ 7,293,524	\$ 7,293,524	\$ -	\$ -	\$ -
U.S. Government securities	65,744,812	-	14,088,430	40,064,507	11,591,875
Corporate equities	40,289,292	N/A	N/A	N/A	N/A
Mortgage-backed securities	55,125,682	-	255,551	2,429,788	52,440,343
Corporate obligations	34,882,560	-	13,859,200	15,508,000	5,515,360
Preferred stock	3,581,000	N/A	N/A	N/A	N/A
Municipal Bonds	4,454,379	-	4,454,379	-	-
Other fixed income securities	2,665,250	-	2,665,250	-	-
	\$ 214,036,499	\$ 7,293,524	\$ 35,322,810	\$ 58,002,295	\$ 69,547,578

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

As of June 30, 2005, the District's investments were rated as follows:

Investment Type	Moody's Investor's Service	Standard & Poor's
Des Moines Teachers' Retirement System (DMTRS)		
Money Market:		
Wells Fargo Short-term Investment Fund G	N/R	N/R
U.S. Government Securities:		
Fed Natl Mtg Assn Dtd	AAA	AAA
Fed Home Ln Bk Dtd	AAA	AAA
Fed Home Ln Mtg Corp Dtd	AAA	AAA
Fed Home Ln Bk Tranche	AAA	AAA
Fed Natl Mtg Assn Med Term Nt Dtd	AAA	AAA
Fed Home Ln Mtg Corp Med Term Note Tranche	AAA	AAA

Des Moines Independent Community School District

Notes to Basic Financial Statements

Note 3. Cash and Cash Equivalents and Investments (Continued)

Investment Type	Moody's Investor's Service	Standard & Poor's
Corporate Equities	N/R	N/R
Mortgage-Backed Securities:		
Fed Home Ln Mtg Corp	N/R	N/R
Fed Home Ln Mtg Corp Multiclass Mtg Partn Cfts Gtd Ser 1549 CL	N/R	N/R
Govt Natl Mtg Assn	N/R	N/R
Fed Natl Mtg Assn	N/R	N/R
Continental Airls Pass Thru Trs	BB	BAA3
Painewebber Cmo Tr Ser H Coll Mtg Oblig CI H-4 Delay 30	AAA	N/R
Corporate Obligations:		
Chase Manhattan Corp New Sub Deb Dtd 07/27/94	A	A1
Banc One Corp Nts Dtd 04/29/97 7.6000	A	A1
Indianapolis Pwr & Lt Co 1ST Mtg Dtd 08-01-92	BBB-	BAA2
Liberty Financial Co Dtd 11/12/98 6.750 11/15/2008	A-	WR
GTE Corp Debs Dtd 04/01/97 7.5100	A+	A3
Countrywide Home Loan Med Term Note Tranche # TR 00173 Ser H Dtd	A	A3
Great Lakes Chem Gld Dtd 07/16/99 7.00 07/15/2009	BB+	BA1
Allstate Corp Dtd 11/17/99 7.200 12/01/2009	A+	A1
Bellsouth Cap Funding Dtd 02/16/00 7.750 02/15/2010	A	A2
Alcoa Inc Dtd 07/20/00 7.375 08/01/2010	A-	A2
British Telecom Plc Dtd 12/12/00 8.125 12/15/2010	A-	BAA1
Republic N Y Corp Dtd 03/22/96 7.0000	A	A1
Morgan Stanley Dean Witter Dtd 04/23/01 6.750 04/15/2011	A+	AA3
Verizon New Jersey Inc Dtd 01/22/02 5.875 01/17/2012	A+	A1
National Rural Utils Dtd 03/07/02 7.250 03/01/2012	A	A2
Household Finance Corp Dtd 05/22/02 7.000 05/15/2012	A	A1
General Elec Cap Corp Tranche # TR 00575	AAA	AAA
Intl Lease Finance Corp Dtd 04/29/03 5.875 05/01/2013	AA-	A1
Aetna Inc Dtd 09/14/93 6.750 09/15/2013	A+	AA3
Morgan Stanley Group Inc Debs Dtd 10/01/93	SP-2	AA3
Nations Bank Corp Dtd 09/05/95	A+	AA3
General Mtrs Corp Nts Dtd 04/15/96 7.7000	BB	BAA3
Comerica Bank Dtd 07/26/94 8.375 07/15/2024	A-	A2
GTE Corp Dtd 2/1/97 7.9000	A+	A3
Preferred Stock:		
ML Capital Trust IV 7.12% PFD	A-	N/R
Harris Capital 7.375% Ser A Pfd	A	N/R
Municipal Bonds:		
Philadelphia PA Auth For Incl Dev Pension Fdg Retirement Sys-Ser A	AAA	AAA
Chicago Heights IL Taxable-Ser B	AAA	AAA
Other Fixed Income Securities:		
Prudential Ins Co Amer 144A Dtd 07/01/95	A	A2

Des Moines Independent Community School District

Notes to Basic Financial Statements

Note 3. Cash and Cash Equivalents and Investments (Continued)

Investment Type	S&P	Moody's
Des Moines Independent Community School District (without DMTRS)		
Corporate Equities - Donated	N/R	N/R
U.S. Government Securities:		
FHLB	N/R	Aaa
US Treas Bond	N/R	Aaa
Treasury Strip	AAA	N/R
ISCAP Investment (GIC)	N/R	MIG-1
Iowa Schools Joint Investment Trust	N/R	N/R
QZAB Sinking fund, Guaranteed investment contract	N/R	N/R

Concentration of credit risk: The District's investment policy seeks diversification to reduce overall portfolio risk while attaining market rates of return to enable the District to meet all anticipated cash requirements. The District's policy further restricts investments in prime bankers' acceptances and commercial paper. However, at June 30, 2005, the District has no investments in these investment types.

The District places no limit on the amount the District may invest in any one issuer. More than 5% of the District's investments are in mortgage-backed securities with Federal Home Loan Mortgage Corporation and Federal National Mortgage Association. These investments are 7.59% and 13.18%, respectively, of the District's total investments. The investments in U.S. Government Securities, Iowa Schools Joint Investment Trust, Corporate Equities and Corporate obligations, are not subject to concentration of credit risk due to either being guaranteed by the U.S. government, considered a pooled investment, or none of the securities underlying the total investment type is more than 5% in any one issuer.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. It is the City's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default. Chapter 12c of the Code of Iowa requires all District funds be deposited into an approved depository and be either insured or collateralized.

As of June 30, 2005, the District's deposits with financial institutions were entirely covered by federal depository insurance or insured by the state through pooled collateral, state sinking funds and by the state's ability to assess for lost funds.

As of June 30, 2005, \$1,728,697 of the District's investments was uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.

Des Moines Independent Community School District

Notes to Basic Financial Statements

Note 4. Interfund Receivables/Payables and Transfers

	Due From Other Funds	Due To Other Funds
Nonmajor governmental funds	\$ 826,565	\$ 826,565
Nonmajor enterprise funds	5,083	5,083
Internal service funds	27,283	27,283
	<u>\$ 858,931</u>	<u>\$ 858,931</u>

Interfund balances result from the time lag between the dates that 1) interfund goods or services are provided or reimbursable expenditures occur, 2) transactions are recorded and 3) payments between funds are made.

The following is a schedule of transfers as included in the basic financial statements of the District:

	Transfers In	Transfers Out
Major funds, General Fund	\$ 49,298	-
Nonmajor governmental funds	565,473	1,237,414
Nonmajor enterprise funds	622,806	-
Nonmajor fiduciary funds	-	163
	<u>\$ 1,237,577</u>	<u>\$ 1,237,577</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

Des Moines Independent Community School District

Notes to Basic Financial Statements

Note 5. Capital Assets

A summary of capital asset activity for the year ended June 30, 2005 is as follows:

Governmental Activities	Beginning Balance	Additions and Transfers In	Deletions and Transfers Out	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,407,331	\$ 59,580	\$ 89,163	\$ 2,377,748
Construction-in-progress	51,331,434	17,395,643	4,910,666	63,816,411
Total capital assets, not being depreciated	53,738,765	17,455,223	4,999,829	66,194,159
Capital assets, being depreciated:				
Land improvements	7,100,650	122,488	-	7,223,138
Buildings and improvements	161,114,990	4,641,064	255,680	165,500,374
Vehicles, furniture and equipment	11,542,080	1,222,689	527,297	12,237,472
Total capital assets, being depreciated	179,757,720	5,986,241	782,977	184,960,984
Less accumulated depreciation for:				
Land improvements	(5,159,879)	(224,666)	-	(5,384,545)
Buildings and improvements	(64,943,924)	(3,055,788)	(5,150)	(67,994,562)
Vehicles, furniture and equipment	(7,127,141)	(899,824)	(476,130)	(7,550,835)
Total accumulated depreciation	(77,230,944)	(4,180,278)	(481,280)	(80,929,942)
Total capital assets, being depreciated, net	102,526,776	1,805,963	301,697	104,031,042
Governmental activities capital assets, net	\$ 156,265,541	\$ 19,261,186	\$ 5,301,526	\$ 170,225,201
Business-Type Activities	Beginning Balance	Additions and Transfers In	Deletions and Transfers Out	Ending Balance
Capital assets, not being depreciated, land	\$ -	\$ 31,482	\$ -	\$ 31,482
Capital assets, being depreciated:				
Vehicles, furniture and equipment	3,511,959	1,013,675	52,367	4,473,267
Less accumulated depreciation	(1,939,434)	(254,279)	(52,367)	(2,141,346)
Total capital assets, being depreciated, net	1,572,525	759,396	-	2,331,921
Business-type activities capital assets, net	\$ 1,572,525	\$ 790,878	\$ -	\$ 2,363,403

Des Moines Independent Community School District

Notes to Basic Financial Statements

Note 5. Capital Assets (Continued)

Depreciation expense was charged to the District's functions as follows:

Governmental activities:	
Instructional	\$ 3,287,037
Noninstructional	167,717
Central support services	64,513
Plant operation and maintenance	37,631
Student transportation	623,380
Total	<u><u>\$ 4,180,278</u></u>
Business-type activities, school nutrition	<u><u>\$ 254,279</u></u>

Note 6. Noncurrent Liabilities and Notes Payable

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 accounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program.

On June 28, 2005, the District issued \$5,000,000 of anticipatory warrants through ISCAP. The warrants mature on June 28, 2006, with a stated interest rate of 3.5%. The warrants are outstanding as of June 30, 2005. The purpose of the short-term debt is to provide liquidity for governmental operations financed by property taxes, which are collected in semiannual payments due September 30 and March 31.

	Beginning Balance	Advances Received	Advances Repaid	Ending Balance
Iowa School Cash Anticipation Program:				
Warrants - January 28, 2004	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -
Warrants - June 30, 2004	9,200,000	13,400,000	22,600,000	-
Warrants - June 28, 2005	-	5,000,000	-	5,000,000
Short-term liabilities	<u><u>\$ 10,200,000</u></u>	<u><u>\$ 18,400,000</u></u>	<u><u>\$ 23,600,000</u></u>	<u><u>\$ 5,000,000</u></u>

On March 13, 2002, the District issued \$450,000 of general obligation capital loan notes, with interest varying from 2.0% to 4.2%, for the purpose of installing energy-efficient heating and cooling systems. As of June 30, 2005, the general obligation capital loan notes liability was \$315,000. The maturity date for the notes is 2011.

On December 1, 2003, the District issued \$1,000,000 of qualified zone academy bonds for the purpose of remodeling projects at Weeks Elementary School. As of June 30, 2005, the qualified zone academy bonds liability was \$1,000,000. The District will make annual payments into the debt sinking fund with the total balance of the loan maturing in 2011.

Des Moines Independent Community School District

Notes to Basic Financial Statements

Note 6. Noncurrent Liabilities and Notes Payable (Continued)

On April 20, 2004, the District issued \$3,100,000 of general obligation capital loan notes, with interest varying from 2.50% to 3.75%, to finance energy improvements within school facilities of the District. As of June 30, 2005, the general obligation capital notes liability was \$2,700,000. The maturity date for the notes is 2011.

Annual debt service requirements to maturity as of June 30, 2005 are summarized as follows:

Year Ending June 30:	Governmental Activities		
	Principal	Interest	Total
2006	\$ 470,000	\$ 100,768	\$ 570,768
2007	485,000	86,913	571,913
2008	490,000	71,898	561,898
2009	510,000	56,348	566,348
2010	520,000	39,078	559,078
2011	1,540,000	20,520	1,560,520
Total	\$ 4,015,000	\$ 375,525	\$ 4,390,525

As of June 30, 2005, the District did not exceed its legal debt margin, computed as follows:

Total assessed valuation	<u>\$ 8,816,040,843</u>
Debt limit of 5% of total assessed valuation	\$ 440,802,042
Amount of debt applicable to debt limit, total general obligation bonded debt	<u>4,015,000</u>
Excess of debt limit over bonded debt issued, legal debt margin	<u>\$ 436,787,042</u>

Noncurrent liability activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds and notes payable	\$ 5,460,000	\$ -	\$ 1,445,000	\$ 4,015,000	\$ 470,000
Retrospective insurance rating plan	897,901	40,500	470,256	468,145	-
Compensated absences	2,707,435	2,135,781	2,019,250	2,823,966	1,976,617
Long-term liabilities	<u>\$ 9,065,336</u>	<u>\$ 2,176,281</u>	<u>\$ 3,934,506</u>	<u>\$ 7,307,111</u>	<u>\$ 2,446,617</u>
Business-type activities,					
compensated absences	\$ 137,032	\$ 121,520	\$ 112,430	\$ 146,122	\$ 116,128

Compensated absences are generally liquidated by the General Fund, and the retrospective rating plan liability is liquidated by the Management Fund, a nonmajor governmental fund.

Des Moines Independent Community School District

Notes to Basic Financial Statements

Note 7. Special Termination Benefits

The District offered a special termination benefit to certified teachers and administrators that allows for them to use their accumulated sick leave benefit and annual special leave to first apply to payment of health insurance until they reach the age of 65 and the amount remaining is paid out over five years as a special termination benefit. As of June 30, 2005, the District has \$1,916,845 accrued in the Management Fund, as it is considered due, and an additional \$9,201,782 recorded in the government-wide financial statements. As the intent of the District was to create a special termination benefit, which was offered for a short period of time, the benefit is treated in accordance with NCGAI 8 as it does not meet the requirements of a postemployment benefit.

Note 8. Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District. An estimated liability of \$195,666 regarding a special termination benefits lawsuit is recorded as of June 30, 2005 and included in the amount accrued in the Management Fund discussed in Note 7.

As of June 30, 2005, the District was involved in several construction projects with an estimated cost to complete the construction projects of \$13,123,000.

Note 9. Risk Management

The District has chosen to establish a risk financing fund for risks associated with the self-insurance plan for medical, dental, and vision benefits. The risk financing fund is accounted for as an internal service fund where assets are set aside for claim settlements. The total charge allocated to each of the funds (the allocation is based upon the percentage of each fund's current year payroll of the District) is calculated using trends in actual claims experience. Losses on medical claims are limited through the purchase of stop-loss insurance to \$75,000 per accident or disease, and 120% of actuarially projected claims for the District in total.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR) which represent estimates of the eventual loss on claims arising prior to year-end. Claims liabilities are reported in the financial statements in other current liabilities. Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	Year Ended June 30,	
	2005	2004
Unpaid claims, beginning of year	\$ 2,752,349	\$ 4,280,198
Current year claims and changes in estimates	13,384,105	18,483,930
Claim payments	(17,559,432)	(20,011,779)
Unpaid claims, end of year	<u>\$ (1,422,978)</u>	<u>\$ 2,752,349</u>

Des Moines Independent Community School District

Notes to Basic Financial Statements

Note 9. Risk Management (Continued)

As of June 30, 2005, the unpaid claims receivable of \$1,422,978 includes \$3,985,948 of reinsurance reimbursement receivable that the District expects to receive as it has exceeded its individual stop-loss amount and its aggregate stop-loss amount. A total of \$3,985,948 reinsurance revenue to be received is recorded with claims expense of \$13,384,105. As of June 30, 2004, \$261,830 of reinsurance reimbursement receivable is included in the unpaid claims and claims expense of \$18,483,930.

The District self insures its workers' compensation exposures. Claims which are due and payable are recorded in the Management Fund, a nonmajor governmental fund. It is estimated that there are no claims that have been incurred but not reported. Losses on workers' compensation claims are limited through the purchase of stop-loss insurance to \$500,000 per individual. Liabilities are reported in the financial statements in accounts payable. Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	Year Ended June 30,	
	2005	2004
Unpaid claims, beginning of year	\$ 210,076	\$ 148,740
Current year claims and changes in estimates	1,315,909	1,292,835
Claim payments	(1,321,417)	(1,231,499)
Unpaid claims, end of year	<u>\$ 204,568</u>	<u>\$ 210,076</u>

The District's general liability and automobile liability policies are written under a retrospective rating plan where final premium costs are within a specified minimum and maximum premium. For the policy year ended June 30, 2005, various liability claims remain unsettled; therefore, the District has accrued a liability for the maximum potential additional premium that could be payable under the retrospective rating plan of \$468,145. The liability is recorded in the District-wide financial statements.

The District continues to carry commercial insurance for all other risks of loss. The District has a \$100,000 deductible on property insurance and a \$500 deductible on auto insurance for automobiles specifically used for driver's education. The District also carries commercial insurance for one of their medical programs included in the Risk Management Fund. There is no risk of loss to the District for this program. During the three-year period ended June 30, 2005, the District had no settlements in excess of its insurance coverage.

Note 10. Retirement Systems

Iowa Public Employees' Retirement System:

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. All District employees, other than teachers and administrators, participate in IPERS. Teachers and administrators may choose to participate in the Des Moines Teachers' Retirement System in lieu of IPERS.

Des Moines Independent Community School District

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

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. Details of the plan are provided on a system-wide basis.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered salaries. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$7,988,149, \$7,840,789 and \$7,815,232, respectively, equal to the required contributions for each year.

Des Moines Teachers' Retirement System:

The Des Moines Teachers' Retirement System is a single employer defined contribution plan that provides pension benefits for all eligible District employees. The Des Moines Teachers' Retirement System was established as of July 1, 1953, in accordance with Sections 294.8 through 294.10 of the Code of Iowa. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees who possess professional qualifications as a requirement for their position of employment, such as a teacher's certificate to be a teacher, are permitted to participate from the date of their employment. There are 1,667 active and retired participants as of June 30, 2005. The plan requires the employees to contribute a varying percentage of their base pay, from 4.31% to 7.14%, with the percentage actuarially determined based on the age of the employee upon entrance into the plan. The District's contribution is to be 112% of the amount contributed by the employee. District contributions for each employee vest after four years of service at 100%. At age 55, District contributions are vested at 112%. The total payroll for employees covered by the System for the year ended June 30, 2005 was \$36,644,705 and the total District payroll was \$177,210,302. The employees' contributions during the year ended June 30, 2005 were \$1,702,580 (4.6% of the total covered payroll). The District's General Fund made contributions of \$1,907,028 (5.2% of the total covered payroll). The Des Moines Teachers' Retirement System does not invest in any obligations of the City of Des Moines or its political subdivisions. Plan assets were \$216,217,780 as of June 30, 2005. Fair values of investments that do not have an established market are reported at estimated fair values.

Note 11. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements

The District adopted Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposits and Investment Risk Disclosure*, during the year ended June 30, 2005. This Statement established and modified disclosure requirements related to investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, this Statement required certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. This Statement also established and modified disclosure requirements for deposit risks.

Des Moines Independent Community School District

Notes to Basic Financial Statements

Note 11. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)

The GASB has also issued several statements not yet implemented by the District. The statements which might impact the District are as follows:

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, issued November 2003, will be effective for the District beginning with its year ending June 30, 2006. This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner.

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, was issued April 2004. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supersedes existing guidance. The provisions of this Statement will be effective for the District beginning with its year ending June 30, 2007.

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, issued in May 2004, will be effective for the District beginning with its year ending June 30, 2006. This Statement improves the understandability and usefulness of statistical section information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model required by Statement No. 34 and related statements.

GASB Statement No. 45, *Accounting and Financial Reporting by Employer for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the District beginning with its year ending June 30, 2008. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB Statement No. 34, issued December 2004, will be effective for the District beginning with its year ending June 30, 2006. The purpose of Statement No. 46 is to help governments determine when net assets have been restricted to a particular use by the passage of enabling legislation and to specify how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation.

GASB Statement No. 47, *Accounting for Termination Benefits*, issued June 2005, will be effective for the District beginning with its year ending June 30, 2006. This Statement established accounting standards for termination benefits. In financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (early retirement incentives) when the offer is accepted and the amount can be estimated. A liability for involuntary termination benefits (severance benefits) should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees, and the amount can be estimated. In financial statements prepared on the modified accrual basis of accounting, liabilities and expenditures for termination benefits should be recognized to the extent the liabilities are normally expected to be liquidated with expendable available financial resources.

The District's management has not yet determined the effect these Statements will have on the District's financial statements. However, the District plans to implement all standards by the required dates.

Des Moines Independent Community School District

Required Supplementary Information - Budgetary Comparison Schedule -
 All Governmental Funds, Enterprise Funds and Private Purpose Trust Funds
 For the Year Ended June 30, 2005

	Actual			
	Governmental Fund Types	Enterprise Funds	Private Purpose Trust Funds	Total
Revenues:				
Local sources	\$ 143,679,034	\$ 8,714,137	\$ 21,445	\$ 152,414,616
Intermediate sources	7,021,145	-	-	7,021,145
State sources	156,939,811	138,308	-	157,078,119
Federal sources	23,768,893	7,805,600	-	31,574,493
Total revenues	331,408,883	16,658,045	21,445	348,088,373
Expenditures/Expenses:				
Instructional	185,395,424	-	-	185,395,424
Support services	83,969,664	-	-	83,969,664
Noninstructional	899,519	12,010,268	19,713	12,929,500
Other	31,547,915	4,585,081	-	36,132,996
Total expenditures/ expenses	301,812,522	16,595,349	19,713	318,427,584
Excess of revenues over expenditures/expenses	29,596,361	62,696	1,732	29,660,789
Other financing sources (uses):				
Proceeds from sale of capital assets	23,313	-	-	23,313
Transfers in	614,771	622,806	-	1,237,577
Transfers (out)	(1,237,414)	-	-	(1,237,414)
Net change in fund balances	\$ 28,997,031	\$ 685,502	\$ 1,732	\$ 29,684,265

See Note to Required Supplementary Information.

Budget		
Original	Final	Final Budget to Actual Variance Positive (Negative)
\$ 150,109,585	\$ 150,926,895	\$ 1,487,721
17,285,578	16,483,783	(9,462,638)
144,486,159	144,884,903	12,193,216
30,229,964	35,559,923	(3,985,430)
342,111,286	347,855,504	232,869
188,473,877	194,308,715	8,913,291
84,192,399	84,704,643	734,979
19,062,463	19,261,394	6,331,894
48,316,919	47,515,124	11,382,128
340,045,658	345,789,876	27,362,292
2,065,628	2,065,628	27,595,161
-	-	23,313
821,808	821,808	415,769
(671,808)	(671,808)	(565,606)
\$ 2,215,628	\$ 2,215,628	\$ 27,468,637

Des Moines Independent Community School District

Notes to Required Supplementary Information Year Ended June 30, 2005

Note 1. Basis of Presentation

The District operates within the budget requirements for school districts as specified by State law and as prescribed by the Iowa Department of Management. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

For the fiscal year beginning July 1, a proposed budget is adopted by the Board and filed with the County Auditor no later than April 15. The budget is certified by the County Auditor to the Department of Management.

Once adopted, the budget can be amended by the Board. The amendment must be published and a public hearing conducted prior to the amendment. Any amendments must be certified to the County Auditor no later than May 31. The proposed expenditure budget is advertised in the local newspaper, together with a notice of public hearing.

The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the functional area for budgeted governmental, enterprise, and private purpose trust funds in total, rather than by individual fund type. Formal and legal budgetary control is based on four major classes of expenditures known as functional areas. These four functional areas are instruction, support services, noninstructional programs, and other expenditures. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. Authorized expenditures cannot exceed the lesser of the certified budget plus any allowable amendments, or the authorized budget, which is the sum of the District cost for that year plus the actual miscellaneous income received for that year plus the actual unspent balance from the preceding year. Appropriations as adopted and amended lapse at the end of the fiscal year.

During the year, a budget amendment increased budgeted revenues and expenditures by \$5,744,218. The budget amendment was primarily due to an increase in federal, state, and local revenues.

In fiscal year 2005, the District received a \$3,000,000 cash reserve levy. This levy is included in General Fund property tax revenues. A \$5,670,000 cash reserve levy has been approved for fiscal year 2006.

The District is required by the Code of Iowa to budget for its share of media, educational services, and special education support provided through the local area education agency. The District's actual amount for this purpose totaled \$9,445,390 for the year ended June 30, 2005.

Des Moines Independent Community School District

**Combining Balance Sheet
All Nonmajor Governmental Funds
June 30, 2005**

	Special Revenue		
	Student Activity	Management	Physical Plant and Equipment Levy
Assets			
Cash and investments	\$ 2,097,883	\$ 3,974,847	\$ 1,502,261
Restricted cash	-	-	134,500
Property taxes receivable - current year	-	198,121	89,214
Property taxes receivable - succeeding year	-	8,321,826	5,624,878
Other receivables	14,006	-	500
Due from other funds	-	826,565	-
Due from other governments	-	-	-
Prepaid items	29,943	-	8,084
Total assets	\$ 2,141,832	\$ 13,321,359	\$ 7,359,437
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 123,769	\$ 257,781	\$ 84,242
Accrued payroll	8,643	-	-
Special termination benefits	-	1,916,845	-
Other current liabilities	-	-	6,600
Due to other funds	-	-	826,565
Due to other governments	1,129	35,095	-
Deferred revenue	5,470	8,321,826	5,624,878
Total liabilities	139,011	10,531,547	6,542,285
Fund balances:			
Reserved for:			
Debt service	-	-	134,500
Prepaid items	29,943	-	8,084
Restricted for East High School	-	-	-
Restricted for Greenwood Elementary	-	-	-
Permanent trusts	-	-	-
Unreserved, undesignated reported:			
Special revenue funds	1,972,878	2,789,812	674,568
Capital project funds	-	-	-
Total fund balances	2,002,821	2,789,812	817,152
Total liabilities and fund balances	\$ 2,141,832	\$ 13,321,359	\$ 7,359,437

Public Education and Recreation Levy	DMPs	Debt Service	Capital Projects Sales Tax	Permanent	Total Nonmajor Governmental Funds
\$ 56,466	\$ 2,339,257	\$ 242,664	\$ 9,409,327	\$ 10,076	\$ 19,632,781
-	-	-	1,928,450	-	2,062,950
12,138	-	9,864	-	-	309,337
722,548	-	-	-	-	14,669,252
-	-	-	-	-	14,506
-	-	-	-	-	826,565
-	-	-	6,841,759	-	6,841,759
-	-	-	-	-	38,027
\$ 791,152	\$ 2,339,257	\$ 252,528	\$ 18,179,536	\$ 10,076	\$ 44,395,177

\$ 13,519	\$ 9,027	\$ -	\$ 1,488,038	\$ -	\$ 1,976,376
22,220	2,802	-	2,178	-	35,843
-	-	-	-	-	1,916,845
-	-	-	1,145,401	-	1,152,001
-	-	-	-	-	826,565
150	8,864	-	31,705	-	76,943
722,548	-	-	-	-	14,674,722
758,437	20,693	-	2,667,322	-	20,659,295

-	-	252,528	-	-	387,028
-	-	-	-	-	38,027
-	-	-	1,398,992	-	1,398,992
-	-	-	529,458	-	529,458
-	-	-	-	10,076	10,076
32,715	2,318,564	-	-	-	7,788,537
-	-	-	13,583,764	-	13,583,764
32,715	2,318,564	252,528	15,512,214	10,076	23,735,882
\$ 791,152	\$ 2,339,257	\$ 252,528	\$ 18,179,536	\$ 10,076	\$ 44,395,177

Des Moines Independent Community School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
(Deficits) - All Nonmajor Governmental Funds
Year Ended June 30, 2005

	Special Revenue			
	Student Activity	Management	Physical Plant and Equipment Levy	Public Education and Recreation Levy
Revenues:				
Property taxes	\$ -	\$ 11,612,920	\$ 5,582,876	\$ 711,481
Other local sources	-	-	5,455	374,607
Sales tax, for capital projects	-	-	-	-
Investment earnings	45,067	-	132,198	-
State sources	-	10,056	3,169	444
Federal sources	-	-	-	-
Student activities	2,988,992	-	-	81,781
Total revenues	3,034,059	11,622,976	5,723,698	1,168,313
Expenditures:				
Current:				
Instructional	3,065,814	4,130,384	74,189	581,087
Student services	-	11,404	-	-
Instructional support services	-	3,051	-	-
General administration	-	1,352,334	-	-
Building administration	-	595,207	-	-
Business and central administration	-	5,009	351,058	-
Plant operation and maintenance	-	389,488	37,103	-
Student transportation	-	551,144	-	-
Noninstructional	-	193,764	-	490,160
Capital outlay	-	-	3,598,333	83,487
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Total expenditures	3,065,814	7,231,785	4,060,683	1,154,734
Excess (deficiency) of revenues over expenditures	(31,755)	4,391,191	1,663,015	13,579
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(971,204)	-
Total other financing sources (uses)	-	-	(971,204)	-
Net changes in fund balances (deficits)	(31,755)	4,391,191	691,811	13,579
Fund balances (deficits), beginning of year	2,034,576	(1,601,379)	125,341	19,136
Fund balances, end of year	\$ 2,002,821	\$ 2,789,812	\$ 817,152	\$ 32,715

DMPS	Debt Service	Capital Projects		Permanent	Total Nonmajor Governmental Funds
		Sales Tax	Greenhouse		
\$ -	\$ 827,636	\$ -	\$ -	\$ -	\$ 18,734,913
150,327	-	1,341,465	-	-	1,871,854
-	-	30,341,530	-	-	30,341,530
262,209	-	102,124	-	198	541,796
-	355	-	-	-	14,024
-	-	89,456	-	-	89,456
-	-	-	-	-	3,070,773
412,536	827,991	31,874,575	-	198	54,664,346
43,281	-	-	-	-	7,894,755
-	-	-	-	-	11,404
53,763	-	-	-	-	56,814
-	-	-	-	-	1,352,334
-	-	-	-	-	595,207
-	-	-	-	-	356,067
-	-	-	-	-	426,591
-	-	-	-	-	551,144
38,191	-	-	-	-	722,115
8,426	-	16,805,067	3,402	-	20,498,715
-	1,445,000	-	-	-	1,445,000
-	158,810	-	-	-	158,810
143,661	1,603,810	16,805,067	3,402	-	34,068,956
268,875	(775,819)	15,069,508	(3,402)	198	20,595,390
163	565,310	-	-	-	565,473
-	-	(222,368)	(43,842)	-	(1,237,414)
163	565,310	(222,368)	(43,842)	-	(671,941)
269,038	(210,509)	14,847,140	(47,244)	198	19,923,449
2,049,526	463,037	665,074	47,244	9,878	3,812,433
\$ 2,318,564	\$ 252,528	\$ 15,512,214	\$ -	\$ 10,076	\$ 23,735,882

Des Moines Independent Community School District

Combining Statement of Net Assets (Deficit)

All Nonmajor Enterprise Funds

June 30, 2005

	School Nutrition	Child Care	Home Remodeling
Assets			
Current assets:			
Cash and cash equivalents	\$ 358,427	\$ 304,118	\$ 161,375
Other receivables, net of allowances for uncollectibles of \$29,196	90,029	56,824	-
Due from other governments	319,679	-	-
Due from other funds	-	-	-
Inventories	186,112	-	-
Prepaid items	350	-	-
Total current assets	954,597	360,942	161,375
Noncurrent assets, nondepreciable assets	-	-	31,482
Noncurrent assets, depreciable assets, net	2,331,921	-	-
Total assets	\$ 3,286,518	\$ 360,942	\$ 192,857
Liabilities			
Current liabilities:			
Accounts payable	\$ 52,604	\$ 26,700	\$ 18
Accrued payroll	125,480	196,723	-
Other current liabilities	24,203	-	-
Due to other funds	-	-	-
Due to other governments	405	720	-
Compensated absences	100,675	15,453	-
Total current liabilities	303,367	239,596	18
Noncurrent liabilities, accrued compensated absences	15,917	14,077	-
Total liabilities	319,284	253,673	18
Net Assets (Deficit)			
Invested in capital assets, net of related debt	2,331,921	-	31,482
Unrestricted (deficit)	635,313	107,269	161,357
Total net assets	2,967,234	107,269	192,839
Total liabilities and net assets	\$ 3,286,518	\$ 360,942	\$ 192,857

Automotive	Wellness Center	Total
\$ 15,779	\$ -	\$ 839,699
-	-	146,853
-	-	319,679
5,083	-	5,083
-	-	186,112
-	-	350
20,862	-	1,497,776
-	-	31,482
-	-	2,331,921
\$ 20,862	\$ -	\$ 3,861,179

\$ 7,608	\$ -	\$ 86,930
-	-	322,203
-	-	24,203
-	5,083	5,083
-	-	1,125
-	-	116,128
7,608	5,083	555,672
-	-	29,994
7,608	5,083	585,666

-	-	2,363,403
13,254	(5,083)	912,110
13,254	(5,083)	3,275,513
\$ 20,862	\$ -	\$ 3,861,179

Des Moines Independent Community School District

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficit)
 All Nonmajor Enterprise Funds
 Year Ended June 30, 2005

	School Nutrition	Child Care	Home Remodeling
Operating revenues:			
Student activities	\$ -	\$ -	\$ -
Charges for services:			
Sale of food	4,238,021	-	-
Child care	-	4,271,358	-
Miscellaneous	967	5,631	-
Total operating revenues	4,238,988	4,276,989	-
Operating expenses:			
Student services	11,953,635	-	-
School nutrition, depreciation	254,279	-	-
Community services	-	4,277,713	2,064
Total operating expenses	12,207,914	4,277,713	2,064
Operating income (loss)	(7,968,926)	(724)	(2,064)
Nonoperating revenues:			
Other local sources	93,222	-	-
State sources	138,308	-	-
Federal sources	7,805,600	-	-
Total nonoperating revenues	8,037,130	-	-
Income (loss) before transfers	68,204	(724)	(2,064)
Transfers in	622,806	-	-
Changes in net assets (deficit)	691,010	(724)	(2,064)
Total net assets (deficit), beginning of year	2,276,224	107,993	194,903
Total net assets (deficit), end of year	\$ 2,967,234	\$ 107,269	\$ 192,839

Automotive	Wellness Center	Total
\$ 30,015	\$ -	\$ 30,015
-	-	4,238,021
-	-	4,271,358
-	62,952	69,550
30,015	62,952	8,608,944
56,633	-	12,010,268
-	-	254,279
-	51,025	4,330,802
56,633	51,025	16,595,349
(26,618)	11,927	(7,986,405)
11,971	-	105,193
-	-	138,308
-	-	7,805,600
11,971	-	8,049,101
(14,647)	11,927	62,696
-	-	622,806
(14,647)	11,927	685,502
27,901	(17,010)	2,590,011
\$ 13,254	\$ (5,083)	\$ 3,275,513

Des Moines Independent Community School District

Combining Statement of Cash Flows
All Nonmajor Enterprise Funds
Year Ended June 30, 2005

	School Nutrition	Child Care	Home Remodeling
Cash Flows From Operating Activities:			
Cash received from user charges	\$ 4,234,210	\$ 4,292,213	\$ -
Cash payments to employees for services	(5,779,155)	(3,808,463)	-
Cash payments to suppliers for goods and services	(5,428,625)	(418,502)	(2,050)
Net cash provided by (used in) operating activities	(6,973,570)	65,248	(2,050)
Cash Flows From Noncapital Financing Activities:			
Payments to other funds	-	-	-
Payments from other funds	-	-	-
Transfers from other funds	622,806	-	-
Nonoperating grants and donations received	7,026,933	-	-
Net cash provided by (used in) noncapital financing activities	7,649,739	-	-
Cash Flows From Capital and Related Financing Activities, acquisition of capital assets			
	(1,013,675)	-	(31,482)
Net increase (decrease) in cash and cash equivalents	(337,506)	65,248	(33,532)
Cash and Cash Equivalents, beginning of year	695,933	238,870	194,907
Cash and Cash Equivalents, end of year	\$ 358,427	\$ 304,118	\$ 161,375
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ (7,968,926)	\$ (724)	\$ (2,064)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	254,279	-	-
Commodities used	746,499	-	-
Changes in assets and liabilities:			
Receivables	(9,932)	15,224	-
Inventories	64,855	-	-
Prepaid expense	(350)	-	-
Accounts payable and due to other governments	(117)	3,319	14
Accrued liabilities	(65,032)	47,429	-
Other current liabilities	5,154	-	-
Net cash provided by (used in) operating activities	\$ (6,973,570)	\$ 65,248	\$ (2,050)
Noncash Noncapital Financing Activities, commodities received from US Department of Agriculture			
	\$ 746,499	\$ -	\$ -

Automotive	Wellness Center	Total
\$ 30,015	\$ 62,952	\$ 8,619,390
-	-	(9,587,618)
(50,775)	(51,025)	(5,950,977)
(20,760)	11,927	(6,919,205)
-	(11,927)	(11,927)
11,927	-	11,927
-	-	622,806
11,971	-	7,038,904
23,898	(11,927)	7,661,710
-	-	(1,045,157)
3,138	-	(302,652)
12,641	-	1,142,351
\$ 15,779	\$ -	\$ 839,699

\$ (26,618)	\$ 11,927	\$ (7,986,405)
-	-	254,279
-	-	746,499
-	-	5,292
-	-	64,855
-	-	(350)
5,858	-	9,074
-	-	(17,603)
-	-	5,154
\$ (20,760)	\$ 11,927	\$ (6,919,205)

\$ -	\$ -	\$ 746,499
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Des Moines Independent Community School District

Combining Statement of Net Assets (Deficit)

All Internal Service Funds

June 30, 2005

	Self-Insurance	Risk Management	Collage	Print Shop	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,548,842	\$ -	\$ 150	\$ 26,031	\$ 1,575,023
Other receivables	1,422,978	1,157	-	-	1,424,135
Due from other funds	21,110	-	-	6,173	27,283
Inventories	-	-	-	46,674	46,674
Prepaid expenses	-	90,540	-	-	90,540
Total assets	2,992,930	91,697	150	78,878	3,163,655
Noncurrent assets, depreciable assets, net	-	-	-	125,134	125,134
Total assets	\$ 2,992,930	\$ 91,697	\$ 150	\$ 204,012	\$ 3,288,789
Liabilities					
Current liabilities:					
Accounts payable	\$ 120,137	\$ -	\$ 33	\$ 302	\$ 120,472
Due to other funds	-	21,110	6,173	-	27,283
Deferred revenue	10,734	13,885	-	-	24,619
Accrued compensated absences	-	-	1,167	6,668	7,835
Total current liabilities	130,871	34,995	7,373	6,970	180,209
Noncurrent liabilities, accrued compensated absences	-	-	3,400	5,600	9,000
Total liabilities	130,871	34,995	10,773	12,570	189,209
Net Assets (Deficit)					
Invested in capital assets, net of related debt	-	-	-	125,134	125,134
Unrestricted	2,862,059	56,702	(10,623)	66,308	2,974,446
Total net assets (deficit)	2,862,059	56,702	(10,623)	191,442	3,099,580
Total Liabilities and Net Assets	\$ 2,992,930	\$ 91,697	\$ 150	\$ 204,012	\$ 3,288,789

Des Moines Independent Community School District

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficit)
 All Internal Service Funds
 Year Ended June 30, 2005

	Self-Insurance	Risk Management	Collage	Print Shop	Total
Operating revenues:					
Charges for services:					
Employee benefits	\$ 15,042,397	\$ 19,551,648	\$ -	\$ -	\$ 34,594,045
Miscellaneous	-	-	58,431	280,864	339,295
Total operating revenues	15,042,397	19,551,648	58,431	280,864	34,933,340
Operating expenses:					
Employee benefits	13,384,105	19,494,946	-	-	32,879,051
Depreciation	-	-	-	10,273	10,273
Miscellaneous	-	-	61,521	241,358	302,879
Total operating expenses	13,384,105	19,494,946	61,521	251,631	33,192,203
Changes in net assets	1,658,292	56,702	(3,090)	29,233	1,741,137
Total net assets (deficit), beginning of year	1,203,767	-	(7,533)	162,209	1,358,443
Total net assets (deficit), end of year	\$ 2,862,059	\$ 56,702	\$ (10,623)	\$ 191,442	\$ 3,099,580

Des Moines Independent Community School District

Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2005

	Risk				
	Self-Insurance	Management	Collage	Print Shop	Total
Cash Flows From Operating Activities:					
Cash received from user charges	\$ 15,151,145	\$ 19,550,491	\$ 58,431	\$ 280,864	\$ 35,040,931
Cash payments to employees for services	-	-	(44,193)	(152,096)	(196,289)
Cash payments to suppliers for goods and services	(17,559,432)	(19,484,356)	(16,604)	(81,461)	(37,141,853)
Net cash provided by (used in) operating activities	(2,408,287)	66,135	(2,366)	47,307	(2,297,211)
Cash Flows From Noncapital Financing Activities:					
Proceeds from other funds	85,045	-	2,366	-	87,411
Payments to other funds	-	(66,135)	-	(21,276)	(87,411)
Net cash provided by (used in) noncapital financing activities	85,045	(66,135)	2,366	(21,276)	-
Net increase (decrease) in cash and cash equivalents	(2,323,242)	-	-	26,031	(2,297,211)
Cash and cash equivalents, beginning of year	3,872,084	-	150	-	3,872,234
Cash and cash equivalents, end of year	<u>\$ 1,548,842</u>	<u>\$ -</u>	<u>\$ 150</u>	<u>\$ 26,031</u>	<u>\$ 1,575,023</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 1,658,292	\$ 56,702	\$ (3,090)	\$ 29,233	\$ 1,741,137
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	-	-	-	10,273	10,273
Changes in assets and liabilities:					
Receivables	(1,161,148)	(1,157)	-	-	(1,162,305)
Inventories	-	-	-	6,236	6,236
Prepaid expenses	-	(1,041)	-	-	(1,041)
Accounts payable	120,137	(582)	8	56	119,619
Other current liabilities	(3,014,179)	-	-	-	(3,014,179)
Deferred revenue	(11,389)	12,213	-	-	824
Accrued liabilities	-	-	716	1,509	2,225
Net cash provided by (used in) operating activities	\$ (2,408,287)	\$ 66,135	\$ (2,366)	\$ 47,307	\$ (2,297,211)

Des Moines Independent Community School District

Combining Statement of Fiduciary Net Assets

All Private Purpose Trust Funds

June 30, 2005

	Hoyt/Dahl	Gabriel	Morrison	Employee Dependent Scholarship	Total
Assets					
Cash and cash equivalents	\$ 294,070	\$ 25,041	\$ 160,294	\$ 17,159	\$ 496,564
Investments:					
U.S. government securities	-	34,825	191,611	-	226,436
Corporate equities	-	-	2,030	-	2,030
Interest receivable	-	50	292	-	342
Other receivables	-	-	1,500	-	1,500
Total assets	\$ 294,070	\$ 59,916	\$ 355,727	\$ 17,159	\$ 726,872
Liabilities, accounts payable	\$ -	\$ -	\$ 4,000	\$ -	\$ 4,000
Net Assets, held in trust for scholarships	294,070	59,916	351,727	17,159	722,872
Total liabilities and net assets	\$ 294,070	\$ 59,916	\$ 355,727	\$ 17,159	\$ 726,872

Des Moines Independent Community School District

Combining Statement of Changes in Fiduciary Net Assets

All Private Purpose Trust Funds

Year Ended June 30, 2005

	Hoyt/Dahl	Gabriel	Morrison	Employee Dependent Scholarship	Total
Additions:					
Contributions - private source	\$ -	\$ -	\$ 8,010	\$ -	\$ 8,010
Investment earnings	4,299	932	7,868	336	13,435
Total additions	4,299	932	15,878	336	21,445
Deductions:					
Scholarship awarded	-	100	19,150	-	19,250
Other	300	-	-	-	300
Transfers out	-	-	163	-	163
Total deductions	300	100	19,313	-	19,713
Changes in net assets	3,999	832	(3,435)	336	1,732
Total net assets, beginning of year	290,071	59,084	355,162	16,823	721,140
Total net assets, end of year	\$ 294,070	\$ 59,916	\$ 351,727	\$ 17,159	\$ 722,872

Des Moines Independent Community School District

Combining Statement of Assets and Liabilities

All Agency Funds

June 30, 2005

	Faculty and Staff	Urban Education Network	Total
Assets, cash and cash equivalents	\$ 188,804	\$ 50,334	\$ 239,138
Liabilities			
Accounts payable	\$ 5,723	\$ 317	\$ 6,040
Due to other governmental units	183,081	50,017	233,098
Total liabilities	\$ 188,804	\$ 50,334	\$ 239,138

Des Moines Independent Community School District

Combining Statement of Changes in Assets and Liabilities

Agency Funds

Year Ended June 30, 2005

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Faculty and Staff				
Assets				
Cash and cash equivalents	\$ 205,821	\$ 201,888	\$ 218,905	\$ 188,804
Liabilities				
Accounts payable	\$ 1,280	\$ 4,443	\$ -	\$ 5,723
Due to other governmental units	204,541	-	21,460	183,081
Total liabilities	\$ 205,821	\$ 4,443	\$ 21,460	\$ 188,804
Urban Education Network				
Assets				
Cash and cash equivalents	\$ 64,781	\$ 48,773	\$ 63,220	\$ 50,334
Liabilities				
Accounts payable	\$ 15,600	\$ -	\$ 15,283	\$ 317
Due to other governmental units	49,181	836	-	50,017
Total liabilities	\$ 64,781	\$ 836	\$ 15,283	\$ 50,334
Total				
Assets				
Cash and cash equivalents	\$ 270,602	\$ 250,661	\$ 282,125	\$ 239,138
Liabilities				
Accounts payable	\$ 16,880	\$ 4,443	\$ 15,283	\$ 6,040
Due to other governmental units	253,722	836	21,460	233,098
Total liabilities	\$ 270,602	\$ 5,279	\$ 36,743	\$ 239,138

Des Moines Independent Community School District

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Agriculture:			
(Passed through Iowa Department of Education):			
School Breakfast Program	10.553	77-1737	\$ 1,058,145
National School Lunch Program	10.555	77-1737	5,583,157
Child and Adult Care Food Program	10.558	77-1737	253,046
Summer Food Service Program for Children	10.559	77-1737	164,753
			<u>7,059,101</u>
(Passed through Iowa Department of Public Health):			
State Administrative Matching Grants for Food Stamp Program	10.561	42-6004523	24,455
Total US Department of Agriculture			<u>7,083,556</u>
U.S. Department of Housing and Urban Development:			
(Passed through City of Des Moines),			
Community Development Block Grant (CDBG)	14.218	42-6004514	48,874
U.S. Department of Education:			
(Direct):			
Mentoring Programs Grant	84.184B	42-6001433	83,027
Emergency Response/Crisis Management	84.184E	42-6001433	45,727
Project Raices	84.195B	42-6001433	209,417
Elementary and Secondary Counseling Demonstration Grant	84.215E	42-6001433	327,932
Smoother Sailing	84.215K	42-6001433	189,531
Smaller Learning Communities - Implementation	84.215L	42-6001433	579,659
Project Roots	84.290U	42-6001433	349,516
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)	84.334	42-6001433	214,082
Pathways to Early Learning and Literacy (PELL)	84.359B	42-6001433	464,647
			<u>2,463,538</u>
(Passed Through Iowa State University),			
Carol M. White Physical Education Program Grant	84.215F	42-6021466	90,497
(Passed Through University of Iowa),			
Assistive Technology Training	84.027	42-6004813	4,000
(Passed Through Iowa Department of Education):			
Title I Grants to Local Educational Agencies	84.010A	42-6004525	6,726,408
Special Education Grants to States (Positive Behavioral Support)	84.027	42-6004525	13,730
Vocational Education Basic Grants to States	84.048	42-6004525	512,607
Education, Consolidation and Improvement Act of 1981, Title V	84.151	42-6004525	220,985

(Continued)

Des Moines Independent Community School District

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
(Passed Through Iowa Department of Education):			
Safe & Drug Free Schools & Communities (Expelled/Suspended Students)	84.184	42-6004525	49,163
Safe and Drug Free Schools and Communities	84.186	42-6004525	215,552
Education for Homeless Children & Youth	84.196	42-6004525	25,000
Star Schools	84.203	42-6004525	3,756
Fund for the Improvement of Education (Title III FIE ESL Training)	84.215	42-6004525	14,359
Iowa Demonstration Construction Grants	84.215	42-6004525	85,824
Fund for the Improvement of Education (ESL for Rapid Growth)	84.215	42-6004525	4,500
Iowa Star Schools Project	84.215K	42-6004525	121,802
Iowa Early Learning Online	84.215K	42-6004525	3,000
Education Technology State Grant (Title II Technology - E2T2)	84.318	42-6004525	310,912
Education Technology State Grant (Technology Literacy Challenge Grant)	84.318	42-6004525	45,388
Special Education State Program Improvement Grants for Children with Disabilities	84.323	42-6004525	2,101
Advanced Placement Program	84.330	42-6004525	416
Comprehensive School Reform Demonstration	84.332	42-6004525	148,003
English Language Acquisition Grants (Title III ELL/LEP)	84.365	42-6004525	341,008
English Language Acquisition Grants (Title III Immigrant Children)	84.365	42-6004525	120,410
Improving Teacher Quality State Grant (Title II)	84.367	42-6004525	1,707,802
Reading First	84.357	42-6004525	465,798
Math-Science Partnership Program	84.366B	42-6004525	214,980
Enhanced Assessment Grant Pilot	84.368A	42-6004525	1,000
Grants for State Assessments & Related Activities	84.369	42-6004525	182,262
			11,536,766
(Passed through Heartland Area Education Agency 11):			
Special Education Grants to States (Individuals with Disabilities Education Act)	84.027	42-1028173	1,835,518
Special Education Grants to States (Handicapped Preschool Program Vocational Assessment)	84.027	42-1028173	5,101,439
Parent Education Project	84.029	42-1028173	30,159
Special Education Preschool Grants (Least Restrictive Environment Coordinator)	84.173	42-1028173	213,183
Special Education Grants to States (Grants for Infants and Families with Disabilities)	84.181	42-1028173	174,181
Education Technology State Grant (Title II Technology - E2T2)	84.318	42-1028173	500
			7,354,980
			21,449,781

Total US Department of Education

(Continued)

Des Moines Independent Community School District

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Health and Human Services, (Direct), Early Learning Opportunities	93.577	42-600143	<u>265,475</u>
(Passed through Iowa Department of Education):			
Refugee Assistance Program	93.576	42-6004525	117,446
Medical Assistance Program - Medicaid Administration	93.778	N/A	14,801
(Passed through Iowa Department of Human Services), Child Care & Development Block Grant	93.575	42-6004568	<u>24,875</u>
			<u>157,122</u>
(Passed through Drake University), Head Start	93.600	42-0680460	<u>1,464,378</u>
Total US Department of Health and Human Services			<u>1,886,975</u>
U.S. Department of Defense, (Direct), Air Education & Training Command	12.999	N/A	<u>83,527</u>
Total Cash Assistance Expended			<u>30,552,713</u>
Noncash Assistance:			
U. S. Department of Agriculture:			
(Passed through State Department of Education), USDA Commodities	10.550	77-1737	646,499
(Passed through U. S. Department of Defense), USDA Commodities	10.550	N/A	<u>100,000</u>
Total Noncash Assistance Expended			<u>746,499</u>
Total Expenditures of Federal Awards			<u><u>\$ 31,299,212</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

Des Moines Independent Community School District

**Note to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of Des Moines Independent Community School District for the year ended June 30, 2005. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Significant Accounting Policies

Revenue from federal awards is recognized when the District has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal grants is recognized when they become both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

Note 3. Pass-Through Funding

Of the federal expenditures presented in the schedule, the District provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipient
Title I Grants to Local Educational Agencies (LEAs) (Title I, Part A of ESEA)	84.010A	\$ 206,839

Des Moines Independent Community School District

Summary Schedule of Prior Audit Findings Year Ended June 30, 2005

	Findings	Status	Corrective Action Plan or Other Explanation
Reportable Conditions in Internal Control			
04-II-A	The District does not have adequate segregation of duties needed for an effective system of internal accounting control over the payroll cycle.	Uncorrected	See similar finding and corrective action plan at 05-II-A.
04-II-B	The District does not have adequate segregation of duties needed over student activity funds at the schools.	Uncorrected	See similar finding and corrective action plan at 05-II-C.
04-II-C	The District does not have adequate segregation of duties needed for an effective system of internal accounting control over the cash disbursement cycle.	Uncorrected	See similar finding and corrective action plan at 05-II-B.
04-II-D	The District does not have adequate controls in place for an effective system of internal control over the cash receipt cycle for part of the year.	Corrective action taken	

(Continued)

Des Moines Independent Community School District

**Summary Schedule of Prior Audit Findings (Continued)
Year Ended June 30, 2005**

Findings	Status	Corrective Action Plan
Reportable Conditions in Administering Federal Awards		
04-III-A The District does not have an adequate system in place for monitoring subrecipients.	Corrective action taken	
04-III-B The District does not document the allocation of split-funded employee payroll costs and semiannual certifications are not completed by employees charged to a single federal award.	Uncorrected	See similar finding and corrective action plan at 05-III-A.
04-III-C Semiannual certifications are not completed by employees charged to a single federal award.	Uncorrected	See similar finding and corrective action plan at 05-III-B.
04-III-D The District does not have adequate supportive documentation to support costs charged to HeadStart.	Corrective action taken	
Other Findings Related to Required Statutory Reporting:		
04-IV-G <u>Finding 1</u> - November 3, 2003 board minutes were not formally approved.	Corrective action taken	
04-IV-G <u>Finding 2</u> - District does not maintain minutes of closed sessions.	Uncorrected	See similar finding and corrective action plan at 05-IV-G.
04-IV-H <u>Finding 1</u> - Documentation to support the number of foster care students reported as enrolled is not maintained.	Uncorrected	See similar finding and corrective action plan at 05-IV-H Finding 1.
04-IV-H <u>Finding 2</u> - Adequate documentation to support the number of open enrollment, tuition, shared time nonpublic, community college and dual enrolled students was not maintained.	Uncorrected	See similar finding and corrective action plan at 05-IV-H. Finding 2.
04-IV-K The Management Fund, Wellness Center Fund and Collage Fund had deficit fund balances as of June 30, 2004.	Partially corrected	See similar finding and corrective action plan at 05-IV-K.
04-IV-L The Board did not approve all transfers between funds.	Uncorrected	See similar finding and corrective action plan at 05-IV-L.
04-IV-M The District did not spend certain property Plant Equipment Levy funds in accordance with Chapter 298.3.	Corrective action taken	See similar finding and corrective action plan at 05-IV-M.

McGladrey & Pullen

Certified Public Accountants

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
Des Moines Independent Community School District
Des Moines, Iowa

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Des Moines Independent Community School District as of and for the year ended June 30, 2005, which collectively comprise Des Moines Independent Community School District's basic financial statements and have issued our report thereon dated October 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Des Moines Independent Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our 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 the accompanying schedule of findings and responses as items 05-II-A, 05-II-B, and 05-II-C.

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, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of Des Moines Independent Community School District in a separate letter dated October 27, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Des Moines Independent 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 grant agreements, 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 that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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 basic 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 in Section IV of the Schedule of Findings and Questioned Costs are not intended to constitute legal interpretation of those statutes.

This report is intended solely for the information and use of the Board of Education, audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
October 27, 2005

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance With Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education
Des Moines Independent Community School District
Des Moines, Iowa

Compliance

We have audited the compliance of Des Moines Independent Community School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of the District's major federal programs for the year ended June 30, 2005. Des Moines Independent Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Des Moines Independent Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Des Moines Independent Community School District's compliance with those requirements.

In our opinion, Des Moines Independent Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Des Moines Independent Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Des Moines Independent Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-III-A, 05-III-B, and 05-III-C.

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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance 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, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information of the Board of Education, audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
October 27, 2005

Des Moines Independent Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2005**

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major program:

CFDA Number	Name of Federal Program
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
84.367	Title II - Improving Teacher Quality State Grants

Dollar threshold used to distinguish between type A and type B programs: \$938,976

Auditee qualified as low-risk auditee? Yes No

(Continued)

Des Moines Independent Community School District

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2005**

II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

A. Reportable Conditions in Internal Control

05-II-A

Finding: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. The District has an improper segregation of duties over the payroll system.

Condition: The payroll department has the responsibility for updating the payroll master records, recording payroll transactions and distributing the payroll checks without a proper review process in place.

Effect: Transaction errors could occur and not be detected in a timely manner.

Recommendation: We recommend the persons responsible for the recordkeeping functions do not have access to the checks printed by the data center. In addition, the District should investigate the system capability of generating an edit report after each payroll run that would indicate any changes made to an employee's master records, the date of the transaction and the person entering the change. A person independent of the payroll processing function should review these edit reports.

Response and Corrective Action Plan: Approximately 75% of District employees receive their pay via direct deposit. There continues to be an aggressive push to have both new and existing employees receive their pay via direct deposit. The District will review the distribution process for payroll checks to ensure adequate segregation of duties. The payroll department reconciles payroll runs to the payroll report that are printed with the payroll checks. The actual payroll check is folded and prepared for distribution by payroll staff.

There is an inherent system limitation in generating edit reports that identify changes to employee payroll records. The current system does not allow for an audit trail of this nature. This can only be corrected by implementing a new payroll system. A comprehensive Enterprise Resource Planning (ERP) system project to replace the current financial system, which includes payroll, is in progress. The District will continue to analyze processing efficiencies, and implement the system controls that must be in place in order to identify errors in a timely manner.

05-II-B

Finding: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. The District has an improper segregation of duties over the cash disbursement cycle.

(Continued)

Des Moines Independent Community School District

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2005**

Condition: Several employees within the accounts payable department have access to blank check stock, the ability to post invoices for payment, and are responsible for check disbursement. One employee has access to create new vendors and the ability to post invoices for payment.

Effect: Misappropriation of assets could occur and not be detected in a timely manner.

Recommendation: The data center, or someone independent of accounts payable processing, should mail the accounts payable checks, and only the file copies of the checks be returned to accounts payable. We recommend an edit report showing all vendors that have recently been added to the system or changes made to current vendor information should be produced and reviewed by management.

Response and Corrective Action Plan: A vendor list already exists and is maintained in the financial accounting system; however, there is an inherent system limitation in generating edit reports that identify changes to vendor records. The current system does not allow for an audit trail of this nature. This can only be corrected by implementing a new purchasing system. A comprehensive Enterprise Resource Planning (ERP) system project to replace the current financial system, which includes purchasing, is in progress. The District will continue to analyze processing efficiencies, and implement the system controls that must be in place in order to identify errors in a timely manner.

The District will review the distribution process for vendor checks to ensure adequate segregation of duties.

05-II-C

Finding: A good internal control contemplates an adequate segregation of duties so that no one person handles a transaction from its inception to completion. The District has an improper segregation of duties over cash receipts of the student activity funds at the schools.

Condition: The bookkeepers and high school athletic assistant at Findley Elementary and North High School collect cash, maintain the records, and deposit the cash. The Business Office records the receipt in the system.

Effect: Misappropriation of assets could occur and not be detected in a timely manner.

Recommendation: We recommend that an independent individual recount the funds and review the deposit slip.

Response and Corrective Action Plan: Due to lack of available resources, many of our school offices are limited to an office manager and the principal. We'll continue to analyze our procedures to determine the most appropriate solution in cooperation with internal audit staff.

(Continued)

Des Moines Independent Community School District

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2005**

B. Compliance Findings

None

III. Findings and Questioned Costs for Federal Awards

A. Reportable Conditions in Administering Federal Awards

U.S. Department of Education:

**Title I Grants to Local Educational Agencies (LEAs) (Title I, Part A of ESEA)
(CFDA 84.010A) (Fiscal Years 2003, 2004, 2005)**

**Improving Teacher Quality State Grant (Title II)
(CFDA 84.367) (Fiscal Years 2003, 2004, 2005)**

**Special Education Grants to States
(CFDA 84.027 and CFDA 84.173) (Fiscal Years 2004, 2005)**

HeadStart (CFDA 93.600) (Fiscal Years 2004, 2005)

05-III-A

Finding: The District does not have a system in place to document the allocation of split funded employee payroll costs related to Title I, Title II, and Special Education. In addition, the contract for HeadStart employees whose duties are solely HeadStart (75 percent federal funded and 25 percent nonfederal funded due to the matching requirements) does not reflect the correct title and state that the employees' duties were exclusively related to one federal program as required by OMB Circular A-87.

Condition: The employees of Title I, Title II, and Special Education are not required by the District to complete timesheets or equivalent documentation to support payroll costs charged to the program. Quarterly comparisons of actual costs as accumulated by time records were not compared to the budgeted distributions.

The employees of HeadStart did not sign certification letters specifying their title and state that their duties were exclusively related to HeadStart 75 percent federal funded and 25 percent nonfederal funded on a semiannual basis.

Criteria: The Office of Management and Budget Circular A-87 requires a distribution of salaries be supported by personnel activity reports or equivalent documentation for all employees who work for more than one cost objective and that the documentation be signed by the employee. Also, the circular requires at least quarterly comparisons of actual cost to budgeted distributions be made and reflect adjustments as a result of actual activity performed. For employees whose duties are solely for one federal program, the Office of Management and Budget Circular A-87 requires semiannual certifications to support charges to a single federal award.

(Continued)

Des Moines Independent Community School District

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2005**

Recommendation: We recommend that the District implement a system to track employees' time by activity. Based on OMB Circular A-87, the employees should submit a signed (by the employee) timesheet or equivalent documentation by activity on a monthly basis. If a budget or estimate is determined before the services are performed, comparisons of actual costs to budgeted distributions based on the monthly documentation should be done at least on a quarterly basis.

We also recommend the title be included on the contract and that it appropriately states the duties related to the HeadStart program. In addition, employees should sign a certification semiannually that certifies their duties were exclusively related to 75% federal HeadStart funding and 25% nonfederal funding.

Response and Corrective Action Plan: There have been several conversations between the business office, human resources staff and external auditors; however, no feasible solution has been found. The District will continue to analyze procedures to document the allocation of split funded employee costs to federally funded programs.

**U.S. Department of Education:
Title I Grants to Local Educational Agencies (LEAs) (Title I, Part A of ESEA)
(CFDA 84.010A) (Fiscal Years 2003, 2004, 2005)**

**Improving Teacher Quality State Grant (Title II)
(CFDA 84.367) (Fiscal Years 2003, 2004, 2005)**

**Special Education Grants to States
(CFDA 84.027 and CFDA 84.173) (Fiscal Years 2004, 2005)**

05-III-B

Finding: The contracts for fully funded Title I, Title II, and Special Education employees do not reflect the correct title and state that the employees' duties were exclusively related to one federal program as required by OMB Circular A-87.

Condition: The employees did not sign certification letters specifying their title and state that their duties were exclusively related to Title I, Title II, or Special Education federal funding on a semiannual basis.

(Continued)

Des Moines Independent Community School District

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2005**

Criteria: The Office of Management and Budget Circular A-87 requires semiannual certifications to support charges to a single federal award.

Recommendation: We recommend the employee's title be included on the contract and that it appropriately states the duties related to the Title I, Title II, or Special Education program. In addition, employees should sign a certification semiannually that certifies their duties were exclusively related to Title I, Title II, or Special Education funding.

Response and Corrective Action Plan: The District will develop procedures to annually document those employees which are fully funded by one federal program. Signed certification will be completed semiannually.

**U.S. Department of Agriculture:
Child Nutrition Cluster (CFDA 10.553, 10.555, and 10.559) (Fiscal Year 2005)**

05-III-C

Finding: The District does not have an adequate system in place for ensuring that renewed vendors used are not suspended or debarred from participation in federal programs.

Condition: Currently, the District's purchasing policy and renewal bid documents that vendors certify do not include the wording to ensure the vendors are not suspended or debarred. In addition, the District does not check the suspended/debarred listing to ensure those contracted with are not suspended or debarred.

Criteria: OMB Circular A-133 dictates that when a nonfederal entity (i.e. the District) enters into a contract (though a bidding process) with an entity (vendor), the nonfederal entity must verify that the entity is not suspended or debarred from participation in federal programs/grants.

Recommendation: We recommend the District implement a system by updating its purchasing policy and bid documents to ensure renewed vendors are not suspended or debarred, prior to entering into contracts, for all transactions (federal and nonfederal).

Response and Corrective Action Plan: The District will develop procedures to positively confirm that vendors, for renewal contracts, are not debarred or suspended from participation in federal programs.

B. Instances of Noncompliance

None

Des Moines Independent Community School District

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2005**

IV. Other Findings Related to Required Statutory Requirements

05-IV-A – Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

05-IV-B – Certified Budget – Disbursements for the year ended June 30, 2005 did not exceed the amounts budgeted in the final amended certified budget.

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

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

05-IV-E – Business Transactions – No business transactions between the District and District officials or employees were noted.

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

05-IV-G – Board Minutes – The following was noted regarding the Board minutes:

Finding: The District does not maintain minutes of closed sessions.

Recommendation: Detailed minutes of closed sessions should be maintained in accordance with Chapter 21.5.

Response and Corrective Action Plan: The District will maintain minutes of closed sessions and retain those minutes in a sealed envelope for a period of at least one year.

Conclusion: Response accepted.

05-IV-H – Certified Enrollment – No material variances in the basic enrollment data certified to the Department of Education were noted. However, the following was noted:

Finding 1: The District does not keep documentation supporting the number of foster care students reported as enrolled within the District unless they are special education foster care students.

Recommendation: The District is required to maintain instructions on file describing the procedures for tracking the number of foster care students, which includes communication with foster care facilities. Information from these facilities should be maintained in the file as supporting documentation.

Des Moines Independent Community School District

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2005**

Response and Corrective Action Plan: Due to confidentiality of foster care records, the District can not properly identify and document foster care students enrolled in the District outside of Special Education instruction.

Conclusion: Response accepted.

Finding 2: The District does not keep documentation supporting the number of open enrollment, tuition (including special education), home school assistance, shared time nonpublic, community college, and dual enrolled students.

Recommendation: The District should update and maintain proper documentation on file supporting the number of students reported in the certified enrollment. The District should also notify the Iowa Department of Management and Iowa Department of Education as required of the variances

Response and Corrective Action Plan: The District does maintain documentation of students that have either open enrolled, privately paid, are part of shared programming, or are dually enrolled. The challenge is there are changes that occur throughout the school year. The numbers reported as of the certified enrollment date can and may change up to the date the information is submitted to the State Department of Education. The District will continue to update and maintain appropriate documentation for those changes that occur during the year and also as of the designated certified enrollment date.

Conclusion: Response accepted.

Finding 3: The District did not use a listing of full-time equivalents (FTEs) but rather uses a head count for those high school students enrolled in a community college (for English as a Second Language (ESL) and Youth-At-Risk (YAR)) for whom the District pays tuition.

Recommendation: The District should utilize a listing of FTEs to adequately complete the certified enrollment report. The District should also notify the Iowa Department of Management and Iowa Department of Education as required of the difference.

Response and Corrective Action Plan: The District submitted an amendment to the Iowa Department of Education to correctly state the FTE's for ESL and YAR.

Conclusion: Response accepted.

05-IV-I – Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

(Continued)

Des Moines Independent Community School District

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2005**

05-IV-J – Certified Annual Report – The Certified Annual Report (CAR) was filed with the Iowa Department of Education timely.

Finding: In reconciling fiscal year 2004 proposed adjusting journal entries with a fund balance effect to the net fund adjustment on the 2005 Certified Annual Report (CAR), the net fund balance amount from two entries were not included in the adjustments on the CAR. These entries represent capital assets in the Print Shop internal service fund and premiums from a debt issuance in the Physical Plant and Equipment Levy fund.

Recommendation: We recommend that the District contact the Iowa Department of Education of these differences.

Response and Corrective Action Plan: The District will contact the Iowa Department of Education and determine procedures in order to appropriately record the adjustments noted.

Conclusion: Response accepted.

05-IV-K – Deficit Balances – The Wellness Center Fund and Collage Fund had deficit balances as of June 30, 2005 of \$5,083 and \$10,623, respectively.

Recommendation: The District should continue to investigate alternatives to eliminate these deficits in order to return funds to a sound financial condition.

Response and Corrective Action Plan: The District will continue to analyze alternatives to anticipated deficit balances in all fund types. Depending on the fund, deficit balances may not be able to be eliminated within the fiscal year. Both negative fund balances have decreased compared to the prior year.

Conclusion: Response accepted.

05-IV-L – Interfund Transfers – The Board does not approve all transfers between funds during the fiscal year as required by Iowa Code 331.432. Most transfers to the Debt Service Fund for debt interest and principal payments were approved.

Recommendation: The District should receive the Board's approval on interfund transfers either on a periodic basis throughout the fiscal year or through the budget process.

Response and Corrective Action Plan: This appears to be an isolated incident; however, the District will continue to improve its procedures to obtain Board approval for interfund transfers on a periodic basis during the fiscal year or through the budget process.

Conclusion: Response accepted.

Des Moines Independent Community School District

**Corrective Action Plan
Year Ended June 30, 2005**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Reportable Conditions in Internal Control				
05-II-A	The District does not have adequate segregation of duties needed for an effective system of internal accounting control over the payroll cycle.	See response and corrective action plan at 05-II-A.	June 30, 2006	Twyla Woods
05-II-B	The District does not have adequate segregation of duties needed for an effective system of internal accounting control over the cash disbursement cycle.	See response and corrective action plan at 05-II-B.	June 30, 2006	Patricia Schroeder
05-II-C	The District does not have adequate segregation of duties needed over student activity funds at the schools.	See response and corrective action plan at 05-II-C.	June 30, 2006	Patricia Schroeder

(Continued)

Des Moines Independent Community School District

**Corrective Action Plan (Continued)
Year Ended June 30, 2005**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Reportable Conditions in Administering Federal Awards				
05-III-A	The District does not document the allocation of split-funded employee payroll costs and semiannual certifications are not completed by employees charged to a single federal award.	See response and corrective action plan at 05-III-A.	June 30, 2006	Judi Cunningham
05-III-B	Semiannual certifications are not completed by employees charged to a single federal award.	See response and corrective action plan at 05-III-B.	June 30, 2006	Judi Cunningham
05-III-C	The District does not have an adequate system in place to ensure that renewed vendors are not suspended or debarred.	See response and corrective action plan at 05-III-C.	June 30, 2006	Sheila Mason
Other Findings Related to Required Statutory Reporting:				
05-IV-G	District does not maintain minutes of closed sessions.	See response and corrective action plan at 05-IV-G.	June 30, 2006	Klark Jessen
05-IV-H	<u>Finding 1</u> - Documentation to support the number of foster care students reported as enrolled is not maintained.	See response and corrective action plan at 05-IV-H.	June 30, 2006	Carol Gustafson
05-IV-H	<u>Finding 2</u> - Adequate documentation to support the number of open enrollment, tuition, home school assistance, shared time nonpublic, community college and dual enrolled students was not maintained.	See response and corrective action plan at 05-IV-H.	June 30, 2006	Carol Gustafson
05-IV-H	<u>Finding 3</u> - The District should use listings of students via full-time equivalents, rather than headcounts, of District high school students enrolled in community college.	See response and corrective action plan at 05-IV-H.	June 30, 2006	Carol Gustafson
05-IV-J	Differences between adjusting journal entries and adjustments to the Certified Annual Report exists.	See response and corrective action plan at 05-IV-J.	June 30, 2006	Patricia Schroeder
05-IV-K	The Wellness Center Fund and Collage Fund had deficit fund balances as of June 30, 2005.	See response and corrective action plan at 05-IV-K.	June 30, 2006	Patricia Schroeder
05-IV-L	The Board did not approve all transfers between funds.	See response and corrective action plan at 05-IV-L.	June 30, 2006	Patricia Schroeder