

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

## Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14-15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Net Assets	H	21
Statement of Cash Flows	I	22
Notes to Financial Statements		23-31
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		32-33
Budgetary Comparison Schedule - Budget to GAAP Reconciliation		34
Notes to Required Supplementary Information - Budgetary Reporting		35
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	37
Schedule of Changes in Student Activity Accounts	3	38
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4	39
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		40-41
Schedule of Findings		42-45

Eddyville-Blakesburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2004 election)</b>		
Ron Shafer	President	2004
Cindy Donohue	Vice President	2005
Richard Lettington	Board Member	2004
Lawrence Smith	Board Member	2005
David Friedman	Board Member	2005
Ray Morrison	Board Member	2006
Joleen Smith	Board Member	2006
<b>Board of Education (After September 2004 election)</b>		
Cindy Donohue	President	2005
David Friedman	Vice President	2005
Lawrence Smith	Board Member	2005
Ray Morrison	Board Member	2006
Joleen Smith	Board Member	2006
Debra Bahr	Board Member	2007
Betty Voss	Board Member	2007
<b>School Officials</b>		
Dr. Dean Cook	Superintendent	2005
Theresa Bambrook	District Secretary/ Treasurer (Resigned)	2005
Toni Cameron	District Secretary/ Treasurer (Appointed)	2005
Richard Gaumer	Attorney	2005

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Eddyville-Blakesburg Community School District:

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

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

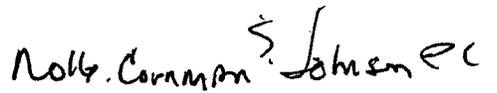
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eddyville-Blakesburg Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 12, 2005 on our consideration of Eddyville-Blakesburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 35 are not required parts of the basic financial statements, but are supplementary

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eddyville-Blakesburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

August 12, 2005

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **2005 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,328,203 in fiscal 2004 to \$6,855,398 in fiscal 2005, while General Fund expenditures increased from \$6,653,233 in fiscal 2004 to \$6,885,363 in fiscal 2005. This resulted in a decrease in the District's General Fund balance from \$398,926 in fiscal 2004 to a balance of \$368,961 in fiscal 2005, a 7.5% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in property tax and other local sources in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and an increase in equipment.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

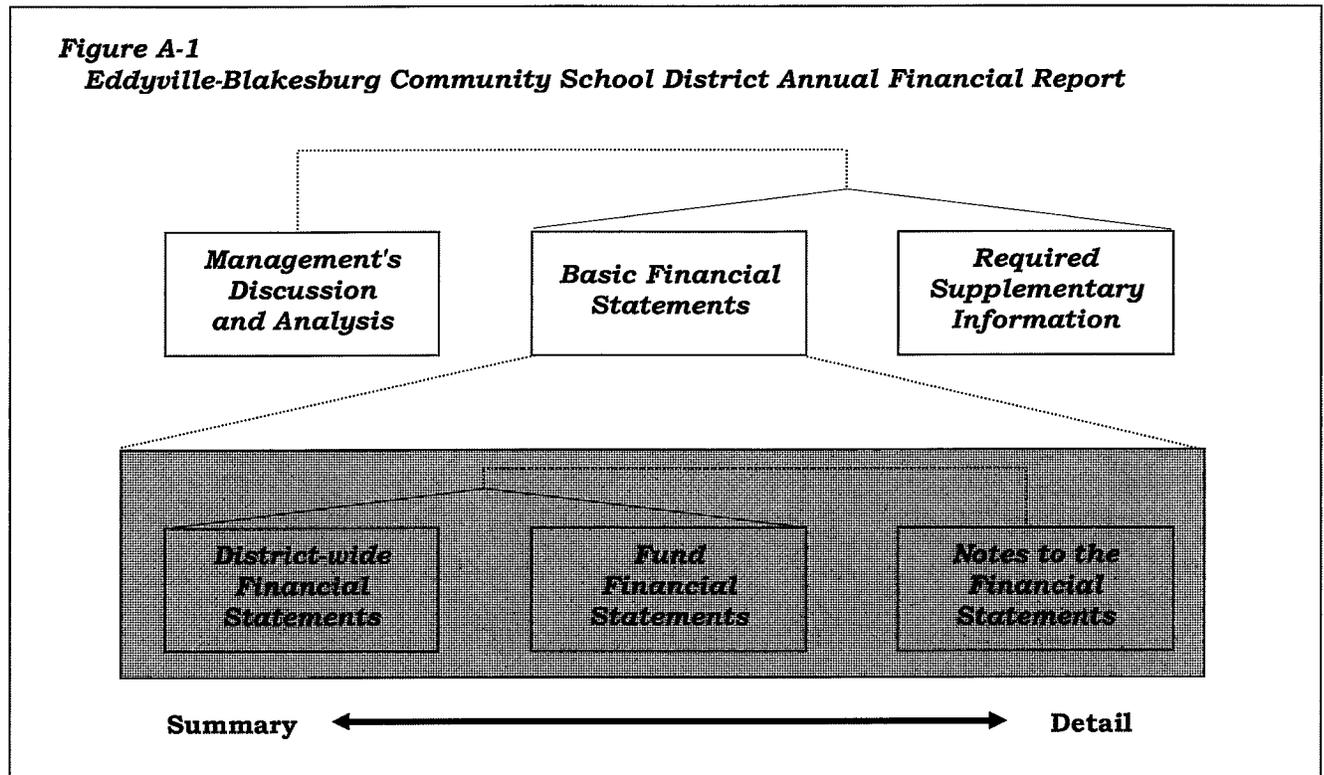


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### **Fund Financial Statements**

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

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

The District has two kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Child Care Fund. The District also has an Internal Service Fund.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change 2004-05
	2005	2004	2005	2004	2005	2004	
Current and other assets	\$ 5,623,607	4,672,162	\$ 47,685	37,443	\$ 5,671,292	4,709,605	20.42%
Capital assets	4,556,814	4,470,196	29,558	27,560	4,586,372	4,497,756	1.97%
Total assets	<u>10,180,421</u>	<u>9,142,358</u>	<u>77,243</u>	<u>65,003</u>	<u>10,257,664</u>	<u>9,207,361</u>	<u>11.41%</u>
Long-term obligations	713,377	608,382	0	0	713,377	608,382	17.26%
Other liabilities	4,227,483	3,752,749	194,989	133,684	4,422,472	3,886,433	13.79%
Total liabilities	<u>4,940,860</u>	<u>4,361,131</u>	<u>194,989</u>	<u>133,684</u>	<u>5,135,849</u>	<u>4,494,815</u>	<u>14.26%</u>
Net assets:							
Invested in capital assets	4,556,814	4,470,196	29,558	27,560	4,586,372	4,497,756	1.97%
Restricted	688,326	435,644	0	0	688,326	435,644	58.00%
Unrestricted	(5,579)	(124,613)	(147,304)	(96,241)	(152,883)	(220,854)	30.78%
Total net assets	<u>\$ 5,239,561</u>	<u>4,781,227</u>	<u>\$ (117,746)</u>	<u>(68,681)</u>	<u>\$ 5,121,815</u>	<u>4,712,546</u>	<u>8.68%</u>

The District's combined net assets increased by nearly 9% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment).

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately 58% over the prior year. The increase was primarily a result of reclassifying the Capital Projects fund balance from prior year to the restricted line.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased approximately 31% over the prior year.

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

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 1,289,895	1,010,750	\$ 440,747	439,893	1,730,642	1,450,643	19.30%
Operating grants and contributions and restricted interest	786,004	821,713	199,468	205,376	985,472	1,027,089	-4.05%
Capital grants and contributions and restricted interest	0	25,000	0	0	0	25,000	-100.00%
General revenues:							
Property tax	3,280,864	2,998,383	0	0	3,280,864	2,998,383	9.42%
Local option sales and service tax	471,366	125,589	0	0	471,366	125,589	0.00%
Unrestricted state grants	2,351,731	2,157,603	0	0	2,351,731	2,157,603	9.00%
Other	8,020	32,410	93	91	8,113	32,501	-75.04%
Total revenues	<u>8,187,880</u>	<u>7,171,448</u>	<u>640,308</u>	<u>645,360</u>	<u>8,828,188</u>	<u>7,816,808</u>	<u>12.94%</u>
Program expenses:							
Governmental activities:							
Instructional	5,022,639	4,531,018	0	0	5,022,639	4,531,018	10.85%
Support services	2,278,172	2,511,219	0	0	2,278,172	2,511,219	-9.28%
Non-instructional programs	11,574	91,087	689,373	650,522	700,947	741,609	-5.48%
Other expenses	417,161	471,091	0	0	417,161	471,091	-11.45%
Total expenses	<u>7,729,546</u>	<u>7,604,415</u>	<u>689,373</u>	<u>650,522</u>	<u>8,418,919</u>	<u>8,254,937</u>	<u>1.99%</u>
Change in net assets	458,334	(432,967)	(49,065)	(5,162)	409,269	(438,129)	-193.41%
Net assets beginning of year	<u>4,781,227</u>	<u>5,214,194</u>	<u>(68,681)</u>	<u>(63,519)</u>	<u>4,712,546</u>	<u>5,150,675</u>	<u>-8.51%</u>
Net assets end of year	<u>\$ 5,239,561</u>	<u>4,781,227</u>	<u>\$ (117,746)</u>	<u>(68,681)</u>	<u>5,121,815</u>	<u>4,712,546</u>	<u>8.68%</u>

Property tax, local option sales and services tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 87% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$8,187,880 and expenses were \$7,729,546.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 5,022,639	3,165,026
Support services	2,278,172	2,275,599
Non-instructional	11,574	11,574
Other expenses	417,161	201,448
Totals	\$ 7,729,546	5,653,647

- The cost financed by users of the District’s programs was \$1,289,895.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$786,004.
- The net cost of governmental activities was financed with \$3,280,864 in property tax, \$471,366 in local option sales and services tax, \$2,351,731 in state foundation aid and \$8,020 in interest income.

**Business-Type Activities**

Revenues of the District’s business-type activities were \$640,308 and expenses were \$689,373. The District’s business-type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

**INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,071,400, above last year’s ending fund balances of a \$691,797. However, the primary reason for the increase in combined fund balances in fiscal 2005 is due to the increase in the Physical Plant and Equipment Levy (PPEL) fund balance by \$303,760.

**Governmental Fund Highlights**

- The District’s deteriorating General Fund financial position from \$398,926 to \$368,961 is the product of many factors:
  - The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.
  - The increase in expenses was nearly offset by the increase in revenues though. Local taxes alone increased revenues almost \$231,000.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from a deficit \$134,308 in fiscal 2004 to a positive balance of \$169,452 in fiscal 2005. The District actually received less revenue during the year, but had no expenditures either. The Capital Projects fund absorbed a lot of the PPEL expenditures during the year which allowed the fund balance to become positive by year-end.

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- The Capital Projects Fund balance increased from \$231,474 in fiscal 2004 to \$339,361 in fiscal 2005. The District started to receive more in local option sales and service tax, which increased the revenues over \$340,000. Expenditures also increased nearly \$300,000, but was still offset by the revenues ensuring a positive financial position.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$44,460 at June 30, 2004 to \$48,346 at June 30, 2005, representing an increase of 8.7%. The Child Care Fund net assets decreased from a deficit \$113,141 at June 30, 2004 to a deficit \$166,092 at June 30, 2005, representing a decrease of 46.8%.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$58,261 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instructional and non-instructional functional program areas due to the timing of disbursements paid at year end without sufficient time to amend the certified budget. The District also exceeded in its general fund spending authority budget.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2005, the District had invested \$4.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$299,466.

The original cost of the District's capital assets was \$10,796,854. Governmental funds account for \$10,668,173 with the remainder of \$128,681 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress was finished during the 2005 year and added to the building category.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Land	\$ 54,747	54,747	\$ 0	0	\$ 54,747	54,747	0.00%
Buildings	3,918,473	3,676,258	0	0	3,918,473	3,676,258	6.18%
Improvements other than buildings	483,395	529,301	0	0	483,395	529,301	-9.50%
Machinery and equipment	100,199	176,256	29,558	27,560	129,757	203,816	-57.08%
Construction in progress	0	33,634	0	0	0	33,634	-100.00%
<b>Total</b>	<b>\$ 4,556,814</b>	<b>4,470,196</b>	<b>\$ 29,558</b>	<b>27,560</b>	<b>\$ 4,586,372</b>	<b>4,497,756</b>	<b>1.93%</b>

### Long-Term Debt

At June 30, 2005, the District had \$713,377 in other long-term debt outstanding. This represents an increase of 17.3% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$713,377 at June 30, 2005.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
Early retirement	\$ 713,377	608,382	17.3%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District's certified enrollment declined last year 1.9 students to 780.4.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2004.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Toni Cameron, Board Secretary, Eddyville-Blakesburg Community School District, 1301 Berdan Street, Eddyville, Iowa, 52553.

BASIC FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,604,750	31,525	1,636,275
Receivables:			
Property tax:			
Delinquent	31,947	0	31,947
Succeeding year	3,433,435	0	3,433,435
Income surtax	98,623	0	98,623
Accounts	133,895	1,339	135,234
Due from other governments	320,957	0	320,957
Inventories	0	14,821	14,821
Capital assets, net of accumulated depreciation(Note 3)	4,556,814	29,558	4,586,372
<b>TOTAL ASSETS</b>	<b>10,180,421</b>	<b>77,243</b>	<b>10,257,664</b>
<b>LIABILITIES</b>			
Excess of warrants issued over bank balances	0	153,449	153,449
Accounts payable	116,960	5,708	122,668
Salaries and benefits payable	607,629	32,750	640,379
ISEBA assessment payable(Note 6)	69,459	0	69,459
Deferred revenue:			
Succeeding year property tax	3,433,435	0	3,433,435
Other	0	3,082	3,082
Long-term liabilities(Note 4):			
Portion due within one year:			
Early retirement payable	107,914	0	107,914
Portion due after one year:			
Early retirement payable	605,463	0	605,463
<b>TOTAL LIABILITIES</b>	<b>4,940,860</b>	<b>194,989</b>	<b>5,135,849</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	4,556,814	29,558	4,586,372
Restricted for:			
Phase III	3,015	0	3,015
Early Intervention	22,049	0	22,049
Talented and Gifted	1,303	0	1,303
Capital projects	339,361	0	339,361
Physical plant and equipment levy	169,452	0	169,452
Other special revenue purposes	153,146	0	153,146
Unrestricted	(5,579)	(147,304)	(152,883)
<b>TOTAL NET ASSETS</b>	<b>\$ 5,239,561</b>	<b>(117,746)</b>	<b>5,121,815</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 3,579,441	687,681	526,787
Special instruction	954,348	42,303	41,523
Other instruction	488,850	559,319	0
	<u>5,022,639</u>	<u>1,289,303</u>	<u>568,310</u>
Support services:			
Student services	67,538	0	0
Instructional staff services	120,595	0	0
Administration services	850,641	0	0
Operation and maintenance of plant services	640,827	0	0
Transportation services	598,571	592	1,981
	<u>2,278,172</u>	<u>592</u>	<u>1,981</u>
Non-instructional programs:			
Food service operations	11,574	0	0
Other expenditures:			
Facilities acquisitions	14,088	0	0
AEA flowthrough	215,713	0	215,713
Depreciation(unallocated)*	187,360	0	0
	<u>417,161</u>	<u>0</u>	<u>215,713</u>
Total governmental activities	7,729,546	1,289,895	786,004
Business-Type activities:			
Non-instructional programs:			
Nutrition services	401,770	238,268	167,295
Day care services	287,603	202,479	32,173
Total business-type activities	<u>689,373</u>	<u>440,747</u>	<u>199,468</u>
Total	<u>\$ 8,418,919</u>	<u>1,730,642</u>	<u>985,472</u>

**General Revenues:**

Property tax levied for:  
  General purposes  
  Capital outlays  
Local option sales and services tax  
Unrestricted state grants  
Unrestricted investment earnings

Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(2,364,973)	0	(2,364,973)
(870,522)	0	(870,522)
70,469	0	70,469
<u>(3,165,026)</u>	<u>0</u>	<u>(3,165,026)</u>
(67,538)	0	(67,538)
(120,595)	0	(120,595)
(850,641)	0	(850,641)
(640,827)	0	(640,827)
(595,998)	0	(595,998)
<u>(2,275,599)</u>	<u>0</u>	<u>(2,275,599)</u>
(11,574)	0	(11,574)
(14,088)	0	(14,088)
0	0	0
(187,360)	0	(187,360)
<u>(201,448)</u>	<u>0</u>	<u>(201,448)</u>
(5,653,647)	0	(5,653,647)
0	3,793	3,793
0	(52,951)	(52,951)
0	(49,158)	(49,158)
<u>(5,653,647)</u>	<u>(49,158)</u>	<u>(5,702,805)</u>
\$ 2,977,217	0	2,977,217
303,647	0	303,647
471,366	0	471,366
2,351,731	0	2,351,731
8,020	93	8,113
<u>6,111,981</u>	<u>93</u>	<u>6,112,074</u>
458,334	(49,065)	409,269
<u>4,781,227</u>	<u>(68,681)</u>	<u>4,712,546</u>
\$ <u>5,239,561</u>	<u>(117,746)</u>	<u>5,121,815</u>

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	General	Capital Projects	Other	Total
			Nonmajor Governmental Funds	
<b>ASSETS</b>				
Cash and pooled investments	\$ 845,296	249,367	359,002	1,453,665
Receivables:				
Property tax:				
Delinquent	27,971	0	3,976	31,947
Succeeding year	2,989,762	0	443,673	3,433,435
Income surtax	98,623	0	0	98,623
Accounts	133,795	0	100	133,895
Due from other governments	220,666	100,291	0	320,957
<b>TOTAL ASSETS</b>	<b>\$ 4,316,113</b>	<b>349,658</b>	<b>806,751</b>	<b>5,472,522</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 106,663	10,297	0	116,960
Salaries and benefits payable	607,629	0	0	607,629
Deferred revenue:				
Succeeding year property tax	2,989,762	0	443,673	3,433,435
Income surtax	98,623	0	0	98,623
Other	144,475	0	0	144,475
<b>Total liabilities</b>	<b>3,947,152</b>	<b>10,297</b>	<b>443,673</b>	<b>4,401,122</b>
Fund balances:				
Reserved for:				
Phase III	3,015	0	0	3,015
Early Intervention	22,049	0	0	22,049
Talented and Gifted	1,303	0	0	1,303
Unreserved:				
Undesignated:				
General	342,594	0	0	342,594
Capital projects	0	339,361	0	339,361
Physical plant and equipment levy	0	0	169,452	169,452
Management levy	0	0	40,480	40,480
Other special revenue purposes	0	0	153,146	153,146
<b>Total fund balances</b>	<b>368,961</b>	<b>339,361</b>	<b>363,078</b>	<b>1,071,400</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,316,113</b>	<b>349,658</b>	<b>806,751</b>	<b>5,472,522</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2005

<b>Total fund balances of governmental funds (page 16)</b>		\$ 1,071,400
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		4,556,814
Accounts receivable are not yet available to finance expenditures of the current period.		
Income surtax	\$ 98,623	
28E Sharing agreement	<u>144,475</u>	243,098
 Blending of the Internal Service Funds to be reflected on an entity-wide basis.		 151,085
 ISEBA assessment payable, is not yet due and payable in the current period due to the completion of a lawsuit settlement and, therefore, are not reported as liabilities in the governmental funds.		 (69,459)
 Long-term liabilities, including early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		 <u>(713,377)</u>
 <b>Net assets of governmental activites (page 13)</b>		 <u><u>\$ 5,239,561</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 2,819,925	471,366	525,560	3,816,851
Tuition	585,509	0	0	585,509
Other	312,184	644	255,106	567,934
State sources	2,856,692	0	255	2,856,947
Federal sources	280,788	0	0	280,788
Total revenues	6,855,098	472,010	780,921	8,108,029
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	3,470,125	0	40,684	3,510,809
Special instruction	955,630	0	0	955,630
Other instruction	237,309	0	252,663	489,972
	4,663,064	0	293,347	4,956,411
Support services:				
Student services	67,230	0	0	67,230
Instructional staff services	122,397	0	0	122,397
Administration services	700,782	0	77,466	778,248
Operation and maintenance of plant services	607,444	0	40,017	647,461
Transportation services	506,785	0	44,498	551,283
	2,004,638	0	161,981	2,166,619
Non-instructional programs:				
Food service operations	1,948	0	23,912	25,860
Other expenditures:				
Facilities acquisitions	0	364,123	0	364,123
AEA flowthrough	215,713	0	0	215,713
	215,713	364,123	0	579,836
Total expenditures	6,885,363	364,123	479,240	7,728,726
Excess(deficiency) of revenues over(under) expenditures	(30,265)	107,887	301,681	379,303
Other financing sources:				
Sale of equipment	300	0	0	300
Net change in fund balances	(29,965)	107,887	301,681	379,603
Fund balance beginning of year	398,926	231,474	61,397	691,797
Fund balance end of year	\$ 368,961	339,361	363,078	1,071,400

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2005

Net change in fund balances - total governmental funds (page 18) \$ 379,603

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceed depreciation expense and loss on disposal in the current year, as follows:

Expenditures for capital assets	\$ 371,953	
Depreciation expense	(285,335)	86,618

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 86,716

Accounts receivable is not available to finance expenditures of the current year period in the governmental funds.

Income surtax	(64,624)	
28E Sharing agreement	144,475	79,851

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

Early Retirement	(104,995)	
ISEBA Assessment	(69,459)	(174,454)

Changes in net assets of governmental activities (page 15) \$ 458,334

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005

	Business-type Activities - Enterprise Funds			Governmental Activities -
	School Nutrition	Child Care	Total	Internal Service Funds
	<b>ASSETS</b>			
<b>Current assets:</b>				
Cash and pooled investments	\$ 31,525	0	31,525	151,085
Receivables:				
Accounts	1,339	0	1,339	0
Inventories	14,821	0	14,821	0
Capital assets, net of accumulated depreciation (Note 3)	29,558	0	29,558	0
<b>TOTAL ASSETS</b>	<b>77,243</b>	<b>0</b>	<b>77,243</b>	<b>151,085</b>
<b>LIABILITIES</b>				
Excess of warrants issued over bank balance	0	153,449	153,449	0
Accounts payable	0	5,708	5,708	0
Salaries and benefits payable	25,815	6,935	32,750	0
Deferred revenue:				
Other	3,082	0	3,082	0
<b>TOTAL LIABILITIES</b>	<b>28,897</b>	<b>166,092</b>	<b>194,989</b>	<b>0</b>
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	29,558	0	29,558	0
Unrestricted	18,788	(166,092)	(147,304)	151,085
Total net assets	<b>\$ 48,346</b>	<b>(166,092)</b>	<b>(117,746)</b>	<b>151,085</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds			Governmental Activities -
	School Nutrition	Child Care	Total	Internal Service Funds
OPERATING REVENUE:				
Local sources:				
Charges for service	\$ 238,268	202,479	440,747	815,888
OPERATING EXPENSES:				
Salaries	125,010	176,045	301,055	0
Benefits	50,796	50,166	100,962	657,692
Services	5,335	20,035	25,370	71,480
Supplies	206,498	32,798	239,296	0
Depreciation	14,131	0	14,131	0
Other	0	8,559	8,559	
TOTAL OPERATING EXPENSES	401,770	287,603	689,373	729,172
OPERATING INCOME (LOSS)	(163,502)	(85,124)	(248,626)	86,716
NON-OPERATING REVENUES:				
State sources	4,623	0	4,623	0
Federal sources	162,672	32,173	194,845	0
Interest income	93	0	93	0
TOTAL NON-OPERATING REVENUES	167,388	32,173	199,561	0
Changes in net assets	3,886	(52,951)	(49,065)	86,716
Net assets beginning of year	44,460	(113,141)	(68,681)	64,369
Net assets end of year	\$ 48,346	(166,092)	(117,746)	151,085

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds			Governmental Activities -
	School Nutrition	Child Care	Total	Internal Service Funds
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 207,735	14,900	222,635	0
Cash received from miscellaneous operating activities	30,276	202,479	232,755	815,888
Cash payments to employees for services	(152,315)	(219,276)	(371,591)	0
Cash payments to suppliers for goods or services	(192,638)	(56,494)	(249,132)	(729,172)
Net cash provided by(used in) operating activities	(106,942)	(58,391)	(165,333)	86,716
Cash flows from non-capital financing activities:				
State grants received	4,623	0	4,623	0
Federal grants received	142,453	32,173	174,626	0
Net cash provided by non-capital financing activities	147,076	32,173	179,249	0
Cash flows from investing activities:				
Interest on investment	93	0	93	0
Net cash provided by investing activities	93	0	93	0
Cash flows from capital financing activities:				
Purchase of assets	(16,129)	0	(16,129)	0
Net cash used in capital financing activities	(16,129)	0	(16,129)	0
Net increase(decrease) in cash and cash equivalents	24,098	(26,218)	(2,120)	86,716
Cash and cash equivalents at beginning of year	7,427	(127,231)	(119,804)	64,369
Cash and cash equivalents at end of year	\$ 31,525	(153,449)	(121,924)	151,085
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (163,502)	(85,124)	(248,626)	86,716
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	20,219	0	20,219	0
Depreciation	14,131	0	14,131	0
Increase in inventories	(1,024)	0	(1,024)	0
Decrease(increase) in accounts receivable	(20)	14,900	14,880	0
(Decrease)increases in accounts payable	0	4,898	4,898	0
(Decrease)increase in salaries and benefits payable	23,491	6,935	30,426	0
Decrease in deferred revenue	(237)	0	(237)	0
Net cash provided by(used in) operating activities	\$ (106,942)	(58,391)	(165,333)	86,716
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and investments	\$ 31,525	(153,449)	(121,924)	151,085
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
During the year ended June 30, 2005, the District received Federal commodities valued at \$20,219.				

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

(1) **Summary of Significant Accounting Policies**

The Eddyville-Blakesburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Eddyville and Blakesburg, Iowa, and the predominate agricultural territory in Wapello, Monroe, Davis and Mahaska Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Eddyville-Blakesburg Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Eddyville-Blakesburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wapello, Monroe, Davis and Mahaska Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise funds, School Nutrition Fund and Child Care Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Child Care Fund is used to account for the day care service operations of the District. The Internal Service Fund is used to account for partially self-funded health insurance premiums of the District.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board

Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

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

Asset Class	Amount
Land	\$ 0
Buildings	2,000
Land improvements	2,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue

consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, expenditures in the instruction, support services, non-instructional programs and other expenditures functional areas exceeded the amount budgeted and the District exceeded its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

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

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

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

	Amortized Cost
Diversified Portfolio	\$ 1,492

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

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

**(3) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 54,747	0	0	54,747
Construction in progress	33,634	350,035	383,669	0
Total capital assets not being depreciated	<u>88,381</u>	<u>350,035</u>	<u>383,669</u>	<u>54,747</u>
Capital assets being depreciated:				
Buildings	6,689,058	383,669	0	7,072,727
Land improvements	1,280,136	0	0	1,280,136
Machinery and equipment	2,238,645	21,918	0	2,260,563
Total capital assets being depreciated	<u>10,207,839</u>	<u>405,587</u>	<u>0</u>	<u>10,613,426</u>
Less accumulated depreciation for:				
Buildings	3,012,800	141,454	0	3,154,254
Land improvements	750,835	45,906	0	796,741
Machinery and equipment	2,062,389	97,975	0	2,160,364
Total accumulated depreciation	<u>5,826,024</u>	<u>285,335</u>	<u>0</u>	<u>6,111,359</u>
Total capital assets being depreciated, net	<u>4,381,815</u>	<u>120,252</u>	<u>0</u>	<u>4,502,067</u>
Governmental activities capital assets, net	<u>\$ 4,470,196</u>	<u>470,287</u>	<u>383,669</u>	<u>4,556,814</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 112,552	16,129	0	128,681
Less accumulated depreciation	84,992	14,131	0	99,123
Business-type activities capital assets, net	<u>\$ 27,560</u>	<u>1,998</u>	<u>0</u>	<u>29,558</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 27,719
Special		321
Other		6,740
Support services:		
Student services		308
Instructional staff		450
Administration		1,292
Transportation		61,145
		<u>97,975</u>
Unallocated depreciation		<u>187,360</u>
		<u>\$ 285,335</u>
Business-type activities:		
Food services		\$ 14,131
Total business-type activities depreciation expense		<u>\$ 14,131</u>

**(4) Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early Retirement	\$ 608,382	229,163	124,168	713,377	107,914

Early Retirement

The District offers a voluntary early retirement plan to its Teachers, Teachers Aides, Custodians, Cooks, Secretaries and Bus Drivers. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive cash benefit for each eligible employee is based on a percentage of the employee's current salary. The District also pays an early retirement incentive for a single health insurance policy until the retiree is age sixty-five. Early retirement benefits paid during the year ended June 30, 2005, totaled \$124,168. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

**(5) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual

covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$270,826, \$236,670 and \$246,589 respectively, equal to the required contributions for each year.

**(6) Risk Management**

The District was a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$1.95 million. The District's share of this assessment was \$69,459 which is recorded on the district-wide Statement of Net Assets as a liability as of June 30, 2005.

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

**(7) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$215,713 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(8) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2005, expenditures in the instruction, and non-instructional programs functional program areas exceeded the amount budgeted. The District also exceeded its unspent authorized budget for the year ended June 30, 2005.

**(9) Deficit Net Assets**

The Enterprise Fund, Child Care Fund had deficit net assets of \$166,092 at June 30, 2005.

REQUIRED SUPPLEMENTAL INFORMATION

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

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 4,859,385	455,483
Intermediate sources	0	0
State sources	2,863,898	4,623
Federal sources	289,308	194,845
Total receipts	<u>8,012,591</u>	<u>654,951</u>
Disbursements:		
Instruction	4,801,521	0
Support services	2,126,299	0
Non-instructional programs	24,360	657,071
Other expenditures	569,623	0
Total disbursements	<u>7,521,803</u>	<u>657,071</u>
Excess(deficiency) of receipts over(under) disbursements	490,788	(2,120)
Balance beginning of year	<u>962,577</u>	<u>(119,804)</u>
Balance end of year	<u>\$ 1,453,365</u>	<u>(121,924)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
5,309,700	5,342,472	5,342,472	(32,772)
0	700	700	(700)
2,868,521	2,923,109	2,923,109	(54,588)
489,321	343,000	343,000	146,321
<u>8,667,542</u>	<u>8,609,281</u>	<u>8,609,281</u>	<u>58,261</u>
4,801,521	4,673,824	4,673,824	(127,697)
2,126,299	2,356,000	2,356,000	229,701
681,431	581,272	581,272	(100,159)
569,623	783,769	783,769	214,146
<u>8,178,874</u>	<u>8,394,865</u>	<u>8,394,865</u>	<u>215,991</u>
488,668	214,416	214,416	274,252
842,773	612,215	612,215	230,558
<u>1,331,441</u>	<u>826,631</u>	<u>826,631</u>	<u>504,810</u>

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

	Governmental Fund Types		
	Cash Basis	Accrual	
		Adjust- ments	Accrual Basis
Revenues	\$ 8,012,591	95,438	8,108,029
Expenses	7,521,803	206,923	7,728,726
Net	490,788	(111,485)	379,303
Other financing sources, net	300	0	300
Beginning fund balances	962,577	(270,780)	691,797
Ending fund balances	\$ 1,453,665	(382,265)	1,071,400

	Proprietary Fund Type		
	Cash Basis	Enterprise	
		Adjust- ments	Accrual Basis
Revenues	\$ 654,951	(14,643)	640,308
Expenses	657,071	32,302	689,373
Change in net assets	(2,120)	(46,945)	(49,065)
Net assets beginning of year	(119,804)	51,123	(68,681)
Net assets end of year	\$ (121,924)	4,178	(117,746)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2005

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

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

During the year ended June 30, 2005, disbursements in the instruction and non-instructional programs exceeded the amount budgeted. The District also exceeded its General Fund maximum authorized budget.

OTHER SUPPLEMENTAL INFORMATION

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2005

	Special Revenue Funds				
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expend- able Trust	Total Special Revenue Funds
<b>ASSETS</b>					
Cash and pooled investments	\$ 38,190	82,750	167,766	70,296	359,002
Receivables:					
Property tax:					
Current year delinquent	2,290	0	1,686	0	3,976
Succeeding year	350,000	0	93,673	0	443,673
Accounts	0	100	0	0	100
<b>TOTAL ASSETS</b>	<b>\$ 390,480</b>	<b>82,850</b>	<b>263,125</b>	<b>70,296</b>	<b>806,751</b>
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	\$ 350,000	0	93,673	0	443,673
	350,000	0	93,673	0	443,673
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	40,480	82,850	169,452	70,296	363,078
Total fund balances	40,480	82,850	169,452	70,296	363,078
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 390,480</b>	<b>82,850</b>	<b>263,125</b>	<b>70,296</b>	<b>806,751</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds				
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expend- able Trust	Total Special Revenue Funds
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 221,913	0	303,647	0	525,560
Other	4,519	193,337	5	57,245	255,106
State sources	147	0	108	0	255
<b>TOTAL REVENUES</b>	<b>226,579</b>	<b>193,337</b>	<b>303,760</b>	<b>57,245</b>	<b>780,921</b>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	40,684	0	0	0	40,684
Other instruction	0	237,267	0	15,396	252,663
Support services:					
Administration services	77,466	0	0	0	77,466
Operation and maintenance of plant services	40,017	0	0	0	40,017
Student transportation	44,498	0	0	0	44,498
Non-instructional programs:					
Food service operations	23,912	0	0	0	23,912
<b>TOTAL EXPENDITURES</b>	<b>226,577</b>	<b>237,267</b>	<b>0</b>	<b>15,396</b>	<b>479,240</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2</b>	<b>(43,930)</b>	<b>303,760</b>	<b>41,849</b>	<b>301,681</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>40,478</b>	<b>126,780</b>	<b>(134,308)</b>	<b>28,447</b>	<b>61,397</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ 40,480</b>	<b>82,850</b>	<b>169,452</b>	<b>70,296</b>	<b>363,078</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Activity Management	\$ 29,971	68,206	73,458	24,719
Uniform	4,969	105	215	4,859
Cross Country	721	0	15	706
Boys Basketball	1,256	7,564	7,766	1,054
Football	2,969	6,290	4,513	4,746
Baseball	(1,427)	2,314	2,430	(1,543)
Boys Track	124	3,576	2,687	1,013
Golf	790	190	126	854
Wrestling	1,280	2,139	2,195	1,224
Girls Basketball	195	5,702	4,765	1,132
Volleyball	736	2,122	2,088	770
Softball	5,775	8,110	9,409	4,476
Girls Track	1,384	841	1,137	1,088
Cheerleading	185	5,379	5,776	(212)
Interest	0	434	434	0
Class of 2005	1,567	434	2,001	0
Class of 2006	381	7,922	7,229	1,074
Class of 2007	144	353	(569)	1,066
National Honor Society	903	0	176	727
HS Student Council	772	1,407	1,325	854
EEAC Student Council	4	0	0	4
E-B MS Tag	135	618	482	271
E-B Jr High Student Council	3,217	3,881	2,470	4,628
BAC 7/8 Activity	53,724	4,631	55,218	3,137
BAC Elementary	539	902	972	469
FFA	1,560	23,058	21,824	2,794
Spanish Club	6,725	0	0	6,725
Thespian Club	1,176	130	400	906
Jr Red Cross	123	968	689	402
Tri M Society	931	438	1,180	189
Drama/Play	1,107	1,357	602	1,862
FFA CD	4,164	0	0	4,164
Yearbook	0	5,482	(158)	5,640
Concessions	399	28,561	26,271	2,689
MS Band Fundraiser	(536)	0	0	(536)
MS Drama	28	41	60	9
Future Business Leaders	789	182	81	890
<b>Total</b>	<b>\$ 126,780</b>	<b>193,337</b>	<b>237,267</b>	<b>82,850</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 3,816,851	3,164,785	3,903,008	3,901,759
Tuition	585,509	638,838	608,573	571,275
Other	567,934	404,322	606,587	365,275
Intermediate sources	0	0	655	659
State sources	2,856,947	2,691,921	2,449,382	2,479,900
Federal sources	280,788	312,395	348,932	214,995
Total	<u>\$ 8,108,029</u>	<u>7,212,261</u>	<u>7,917,137</u>	<u>7,533,863</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 3,510,809	3,074,981	2,794,033	2,772,388
Special instruction	955,630	871,201	869,522	892,137
Other instruction	489,972	555,274	704,389	736,978
Support services:				
Student services	67,230	165,055	163,674	216,686
Instructional staff services	122,397	219,814	254,490	278,933
Administration services	778,248	780,750	711,435	703,658
Operation and maintenance of plant services	647,461	671,715	635,125	604,325
Transportation services	551,283	476,909	486,649	552,440
Non-instructional programs	25,860	24,508	5,126	5,515
Other expenditures:				
Facilities acquisitions	364,123	295,160	857,128	439,140
Long-term debt:				
Principal	0	0	210,000	200,000
Interest and fiscal charges	0	0	9,690	18,433
AEA flow-through	215,713	218,241	246,938	235,355
Total	<u>\$ 7,728,726</u>	<u>7,353,608</u>	<u>7,948,199</u>	<u>7,655,988</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

### Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the  
Eddyville-Blakesburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Eddyville-Blakesburg Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 12, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-05 is a material weakness.

#### Compliance and Other Matters

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

Members American Institute & Iowa Society of Certified Public Accountants

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Eddyville-Blakesburg Community School District and other parties to Eddyville-Blakesburg Community School District may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Eddyville-Blakesburg Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Nolte, Cornman & Johnson P.C.*  
NOLTE, CORNMAN & JOHNSON, P.C.

August 12, 2005

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will review our system and try to segregate duties.

Conclusion - Response accepted.

I-B-05 District and Regional Rents - We noted during our audit that the district receives money for use of facilities when hosting district and regional events. The District currently receipts this into the Student Activity Fund.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the general fund. The district should receipt rent collected for facility usage into the general fund.

Response - Rent collected will be deposited into the General Fund.

Conclusion - Response accepted.

I-C-05 Activity Fund Accounts - We noted that the Student Activity Fund has several accounts with deficit balances at June 30, 2005. We also noted that the Student Activity Fund includes an office/administrative account.

Recommendation - The District should continue to monitor the deficit balances and investigate alternatives to eliminate these deficits. The office/administrative account may be more appropriately handled in the General Fund.

Response - We will review deficit balances and evaluate activity.

Conclusion - Response accepted.

I-D-05 Capital Asset Policy - We noted during our audit that the District had not implemented a capital asset policy that states the capitalization thresholds to be used for the accounting of the capital assets.

Recommendation - The District should review the policies in place and update the necessary capital asset policies.

Response - We will review and start updating policies.

Conclusion - Response accepted.

I-E-05 Sharing Agreement - We noted during our audit that the District has a 28E Agreement with Freemont CSD for student sharing as well as, technology, art and administration. We noted that the District has not received payment for the third and fourth quarters for the 2005 school year.

Recommendation - The District should review the sharing agreement and have an agreed upon time frame for collections of monies.

Response - We have reviewed the sharing agreement and have spoke with the District regarding the collection of monies.

Conclusion - Response accepted.

I-F-05 Self-Funded Health Insurance Fund - We noted during our audit that the District's activity in the Internal Service Fund has increased from the prior year. Part of the requirements of being self-funded is the filing of a 509A Certificate of Compliance with the State of Iowa. In addition, the District should have an actuarial of the Self-Funded Health Insurance Fund.

Recommendation - The District could be fined daily for not having the 509A Certificate of Compliance filed with the State of Iowa. The District should file the 509A as soon as possible to avoid penalties. The actuarial is a good indicator of incurred but not reported claims (IBNR) not posted to the District's accounting software and may or may not be a liability. IBNR needs to be included as a liability of the District in the Internal Service Fund. The District should seek legal counsel to determine the requirements of partially self-funded insurance, State filing requirements and audit requirements.

Response - We are researching this matter to comply with requirements.

Conclusion - Response accepted.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

II-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005 exceeded the amount budgeted in the non-instruction and other expenditures programs functional program areas. The District also exceeded its maximum authorized budget for the year ended June 30, 2005.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget. The District should contact the Iowa Department of Education and School Budget Review Committee to resolve the deficit unspent authorized budget issue.

Response - We will continue to monitor.

Conclusion - Response accepted.

II-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

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

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

II-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner, and not always signed by the president and/or board secretary.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa. They should also make sure that the minutes are properly signed after final review.

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

Conclusion - Response accepted.

II-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-I-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-K-05 Financial Condition - The District had deficit net assets of \$166,092 in the Enterprise – Child Care Fund at June 30, 2005.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - We will continue to monitor this fund.

Conclusion - Response accepted.