

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL  
DISTRICT

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

June 30, 2005

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Independent Auditor's Report

To the Board of Education of  
Eldora-New Providence 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 Eldora-New Providence Community School District, Eldora, 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.

Except as discussed in the following paragraph, 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

The financial statements of Eldora-New Providence School Foundation have not been audited, and we were not engaged to audit the Foundation's financial statements as part of our audit of the Eldora-New Providence Community School District's basic financial statements. The Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Foundation's financial statements and because we did not apply any auditing procedures to the Foundation's financial statements, we do not express an opinion on the discretely presented component unit.

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 Eldora-New Providence Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated July 27, 2005, on our consideration of Eldora-New Providence Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract 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 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eldora-New Providence 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). For 2004 we issued an unqualified opinion on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information and we did not issue an opinion on the discretely presented component unit. We expressed unqualified opinions on the financial statements for 2003 and 2002. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

July 27, 2005

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Eldora-New Providence 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 decreased from \$5,412,640 in fiscal 2004 to \$5,165,892 in fiscal 2005, while General Fund expenditures also decreased from \$5,496,330 in fiscal 2004 to \$5,450,211 in fiscal 2005. The District's General Fund balance decreased from (\$143,326) in fiscal 2004 to (\$249,322) in fiscal 2005.
- The decrease in General Fund revenues was attributable to the use of \$165,000 in fund balance to reduce the tax levy, a decrease in special education tuition, and a decrease in open enrollment. As a result, the District funded a portion of the current year General Fund expenditures from the carryover fund balance.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Eldora-New Providence 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 Eldora-New Providence Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

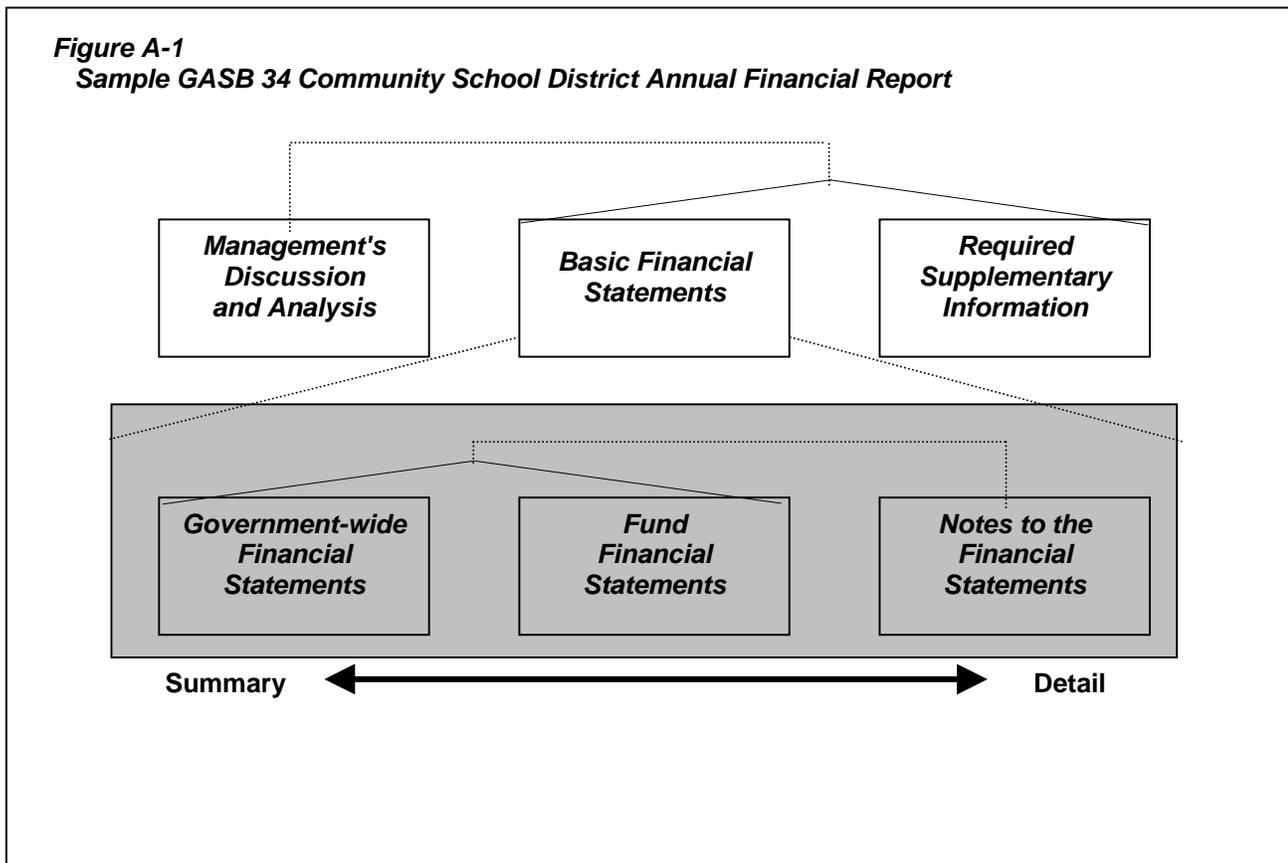


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary 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	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
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 fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</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	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, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
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	All additions and deductions 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 financial position. Over time, increases or decreases in the District’s net assets are an indicator of whether financial position is improving or deteriorating. To assess the District’s overall health,

additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, 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, Debt Service Fund and Capital Projects Fund.

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District uses internal service funds, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund to account for the district's partially self-funded health insurance plan.

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

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

## Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

	Condensed Statement of Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,492,350	3,187,994	4,820	15,483	4,497,170	3,203,477	40.4
Capital assets	5,504,072	5,650,762	13,908	15,339	5,517,980	5,666,101	-2.6
<b>Total assets</b>	<b>9,996,422</b>	<b>8,838,756</b>	<b>18,728</b>	<b>30,822</b>	<b>10,015,150</b>	<b>8,869,578</b>	<b>12.9</b>
Long-term liabilities	2,848,311	3,239,300			2,848,311	3,239,300	-12.1
Other liabilities	4,445,287	2,922,156	2,761	2,737	4,448,048	2,924,893	52.1
<b>Total liabilities</b>	<b>7,293,598</b>	<b>6,161,456</b>	<b>2,761</b>	<b>2,737</b>	<b>7,296,359</b>	<b>6,164,193</b>	<b>18.4</b>
Net Assets:							
Invested in capital assets, net of related debt	3,199,072	2,910,516	13,908	15,339	3,212,980	2,925,855	9.8
Restricted	101,863	139,434			101,863	139,434	-26.9
Unrestricted	(598,111)	(372,650)	2,059	12,746	(596,052)	(359,904)	-65.6
<b>TOTAL NET ASSETS</b>	<b>2,702,824</b>	<b>2,677,300</b>	<b>15,967</b>	<b>28,085</b>	<b>2,718,791</b>	<b>2,705,385</b>	<b>.5</b>

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

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$37,571 or 26% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$236,148, or 65%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year. The district has levied a \$200,000 cash levy to help improve net assets. The district also is self-funding health insurance from a \$2,500 deductible to a \$500 deductible causing an increase in liability to the school.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and June 30, 2004.

	Change in Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	
Revenues							
Program Revenues:							
Charges for services	718,388	800,028	141,776	142,398	860,164	942,426	-8.7
Operating grants & contributions	682,151	790,089	119,437	126,734	801,588	916,823	-12.6
Capital grants & contributions							
General Revenues:							
Property taxes	1,756,146	2,006,699	0	0	1,756,146	2,006,699	-12.5
Income Surtax	157,854	111,584	0	0	157,854	111,584	41.5
Local option sales tax	318,172	0	0	0	318,172	0	100
Unrestricted state grants	2,475,044	2,363,461	0	0	2,475,044	2,363,461	4.7
Unrestricted investment earnings	19,568	11,926	0	0	19,568	11,926	64.1
Other revenue	5,176	3,313	0	0	5,176	3,313	56.2
<b>Total Revenues</b>	<b>6,132,499</b>	<b>6,087,100</b>	<b>261,213</b>	<b>269,132</b>	<b>6,393,712</b>	<b>6,356,232</b>	<b>.6</b>
Expenses:							
Instruction	4,100,178	4,242,811	0	0	4,100,178	4,242,811	-3.4
Support services	1,556,718	1,538,703	0	0	1,556,718	1,538,703	1.2
Non-instructional programs	2,782	2,528	274,531	268,099	277,313	270,627	2.5
Other expenditures	446,097	475,090	0	0	446,097	475,090	-6.1
<b>Total expenses</b>	<b>6,105,775</b>	<b>6,259,132</b>	<b>274,531</b>	<b>268,099</b>	<b>6,380,306</b>	<b>6,527,231</b>	<b>-2.3</b>
<b>Change in net assets before Transfers and special items</b>							
Transfers	(1,200)	0	1200	0	0	0	0
Special item – Initial adoption of Accrued sick leave policy	0	(261,255)	0	0	0	(261,255)	0
<b>CHANGE IN NET ASSETS</b>	<b>25,524</b>	<b>(433,287)</b>	<b>(12,118)</b>	<b>1,033</b>	<b>13,406</b>	<b>(432,254)</b>	<b>0</b>
Net assets beginning of year	2,677,300	3,110,587	28,085	27,052	2,705,385	3,137,639	-13.9
Net assets end of year	2,702,824	2,677,300	15,967	28,085	2,718,791	2,705,385	.5

Property tax, income surtaxes 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 89% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$6,132,499 and expenses were \$6,105,775. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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. The table shows each activity's net cost (total cost, less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-5

**Total and Net Cost of Governmental Activities**

	<b>Total Cost of Services 2005</b>	<b>Total Cost of Services 2004</b>	<b>Net Cost of Services 2005</b>	<b>Net Cost Of Services 2004</b>
	\$	\$	\$	\$
Instruction	4,100,178	4,242,811	2,902,295	2,860,715
Support Services	1,556,718	1,538,703	1,546,052	1,527,150
Non-instructional Programs	2,782	2,528	2,782	2,528
Other Expenses	446,097	475,090	254,107	278,622
<b>TOTAL</b>	<b>6,105,775</b>	<b>6,259,132</b>	<b>4,705,236</b>	<b>4,669,015</b>

- The cost financed by users of the District’s programs was \$718,388. These revenues primarily consist of tuition charged for open enrollment and special education, and revenues from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$682,151.
- The \$4,705,236 total net cost of services was financed with property and other taxes and unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$261,213 and expenses were \$274,531. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, Eldora-New Providence Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Fund Highlights**

- During fiscal year 2005 the board of directors retroactively reclassified the fund from which \$460,000 of energy management notes have been, and will be paid. The General Fund beginning fund balance was increased and the Nonmajor funds beginning balance was decreased for \$253,492 of principal and interest payments from prior years. This reclassification is explained in note 13 to the financial statements.
- During fiscal year 2005 the General Fund balance decreased from the beginning restated amount of \$110,166 to \$(249,322). The decrease is due primarily to the fact that the district used \$165,000 in fund balance to reduce the tax levy.
- The Capital Projects Fund is a new fund for the District. The balance shows a deficit of \$121,372 due to the fact the Capital Projects Fund owes the General Fund \$205,000 for previous year note payments that were made from the General Fund, but now are reclassified as Capital Projects Fund payments.

## Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$28,085 at June 30, 2004 to \$15,967 at June 30, 2005, representing a decrease of approximately 43%. For fiscal 2005, the District increased meal prices but served approximately 18,000 fewer meals.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Eldora-New Providence Community School District amended its annual budget one time to reflect additional expenditures in the other expenditures function, however disbursements exceeded the amended amount.

The District's receipts were \$644,834 less than budgeted receipts, a variance of 9%. The most significant variance resulted from the District receiving less in special education tuition and open enrollment tuition than anticipated.

Total expenditures were less than budgeted, due 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.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, the District had invested \$5,517,980, 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) This represents a net decrease of 3% from last year. Depreciation expense for the year was \$306,434. More detailed information about the District's capital assets is presented in Note 7 to the financial statements.

Figure A-6

#### Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2004-2005
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Land	235,570	235,570	0	0	235,570	235,570	0
Buildings	4,062,443	4,150,783	0	0	4,062,443	4,150,783	-2.2
Improvements	161,000	171,935	0	0	161,000	171,935	-6.4
Equipment & Furniture	1,045,059	1,092,474	13,908	15,339	1,058,967	1,107,813	-4.4
<b>TOTAL</b>	<b>5,504,072</b>	<b>5,650,762</b>	<b>13,908</b>	<b>15,339</b>	<b>5,517,980</b>	<b>5,666,101</b>	<b>-2.7</b>

### Long-Term Debt

At June 30, 2005, the District had \$2,848,311 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 12% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 8 to the financial statements.

The 2004-2006 master contract with the teachers includes a provision that allows teachers with 15 years of service to the District to be paid for up to 105 days of unused sick leave when employment with the District

ends. The District recorded an additional \$51,401 in liability for compensated absences to account for this provision, which is an increase of 19.7%.

**Figure A-7  
Outstanding Long-Term Obligations**

	<b>Total School District</b>		<b>Percentage</b>
	<b>2005</b>	<b>2004</b>	<b>Change 2004-2005</b>
	\$	\$	
General Obligation Bonds	1,935,000	2,235,000	-13.4
Energy management notes	370,000	455,000	-18.7
Capital Leases	0	50,246	-100
Early Retirement	230,655	237,799	-3.0
Compensated Absences	312,656	261,255	19.7
<b>Total</b>	<b>2,848,311</b>	<b>3,239,300</b>	<b>-12.1</b>

### **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:

- School financing is highly dependent upon student enrollment. The District's September 2005 enrollment decreased by fifteen students. This drop in enrollment will decrease the District's funding for fiscal year 2007.
- The District experienced a 37% increase in health insurance premiums for the 2006 Fiscal year.
- The projected revenue from the Local Option Sales Tax for fiscal 2006 is a \$40,000 increase over fiscal 2005.
- The district imposed a cash levy of \$200,000 for fiscal year 2006 to help reduce the general fund balance deficit.
- The District reduced full time food service workers hours 1/2 hour per day resulting in approximately \$5,600 in savings and has increased school meal prices.

### **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 Dr. Robert Lehman, Superintendent or Cindy Bierle, District Secretary/Treasurer, Eldora-New Providence Community School District, 1010 Edgington Ave., Eldora, Iowa, 50627.

## BASIC FINANCIAL STATEMENTS

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total	Unit Eldora- New Providence School Foundation
	\$	\$	\$	
<b>Assets</b>				
Cash and cash equivalents:				
ISCAP	1,889,303	-	1,889,303	-
Other	391,094	-	391,094	103,710
Receivables:				
Property tax:				
Delinquent	28,525	-	28,525	-
Succeeding year	1,907,302	-	1,907,302	-
Accounts	617	72	689	-
Accrued interest ISCAP	8,917	-	8,917	-
Due from other governments	261,141	-	261,141	-
Inventories	5,451	4,748	10,199	-
Capital assets, net of accumulated depreciation	5,504,072	13,908	5,517,980	-
<b>Total assets</b>	<b>9,996,422</b>	<b>18,728</b>	<b>10,015,150</b>	<b>103,710</b>
<b>Liabilities</b>				
Warrants issued in excess of bank balance	-	388	388	-
Accounts payable	28,908	-	28,908	-
Salaries and benefits payable	590,222	-	590,222	-
Accrued interest payable	7,975	-	7,975	-
Deferred revenue:				
Succeeding year property tax	1,907,302	-	1,907,302	-
Other	-	2,373	2,373	-
ISCAP warrants payable	1,882,000	-	1,882,000	-
ISCAP accrued interest payable	8,635	-	8,635	-
ISCAP premium	20,245	-	20,245	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	310,000	-	310,000	-
Energy management notes payable	85,000	-	85,000	-
Early retirement	20,188	-	20,188	-
Compensated absences	14,458	-	14,458	-
Portion due after one year:				
General obligation bonds payable	1,625,000	-	1,625,000	-
Energy management notes payable	285,000	-	285,000	-
Early retirement	210,467	-	210,467	-
Compensated absences	298,198	-	298,198	-
<b>Total liabilities</b>	<b>7,293,598</b>	<b>2,761</b>	<b>7,296,359</b>	<b>-</b>

See notes to financial statements.

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total	Unit Eldora- New Providence School Foundation
	\$	\$	\$	
<b>Net assets</b>				
Invested in capital assets, net of related debt	3,199,072	13,908	3,212,980	-
Restricted for:				
Physical plant and equipment levy	2,283	-	2,283	-
Other special revenue purposes	99,517	-	99,517	-
Debt service	63	-	63	-
Unrestricted	<u>(598,111)</u>	<u>2,059</u>	<u>(596,052)</u>	<u>103,710</u>
<b>Total net assets</b>	<u><u>2,702,824</u></u>	<u><u>15,967</u></u>	<u><u>2,718,791</u></u>	<u><u>103,710</u></u>

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental activities:</b>				
Instruction:				
Regular instruction	2,551,542	333,439	309,477	-
Special instruction	1,026,250	213,576	164,231	-
Other instruction	522,386	163,501	13,659	-
	<u>4,100,178</u>	<u>710,516</u>	<u>487,367</u>	<u>-</u>
Support services:				
Student services	264,738	-	323	-
Instructional staff services	124,411	-	-	-
Administration services	571,898	-	-	-
Operation and maintenance of plant services	414,236	870	-	-
Transportation services	181,435	7,002	2,471	-
	<u>1,556,718</u>	<u>7,872</u>	<u>2,794</u>	<u>-</u>
Non-instructional programs	2,782	-	-	-
Other expenditures:				
Long-term debt interest	112,295	-	436	-
AEA flowthrough	191,554	-	191,554	-
Depreciation (unallocated)*	142,248	-	-	-
	<u>446,097</u>	<u>-</u>	<u>191,990</u>	<u>-</u>
Total governmental activities	6,105,775	718,388	682,151	-
<b>Business type activities:</b>				
Non-instructional programs:				
Food service operations	274,531	141,776	119,437	-
Total primary government	6,380,306	860,164	801,588	-
<b>Component Units:</b>				
Eldora-New Providence School Foundation	25,825	4,907	14,395	-
Total	<u>6,406,131</u>	<u>865,071</u>	<u>815,983</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Transfers				
Total general revenues				

**Change in net assets**

Net assets beginning of year

Net assets end of year

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

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

<u>Net (Expense) Revenue and Changes in Net Assets</u>			
<u>Primary Government</u>			
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
(1,908,626)	-	(1,908,626)	-
(648,443)	-	(648,443)	-
<u>(345,226)</u>	-	<u>(345,226)</u>	-
<u>(2,902,295)</u>	-	<u>(2,902,295)</u>	-
(264,415)	-	(264,415)	-
(124,411)	-	(124,411)	-
(571,898)	-	(571,898)	-
(413,366)	-	(413,366)	-
(171,962)	-	(171,962)	-
<u>(1,546,052)</u>	-	<u>(1,546,052)</u>	-
<u>(2,782)</u>	-	<u>(2,782)</u>	-
(111,859)	-	(111,859)	-
-	-	-	-
<u>(142,248)</u>	-	<u>(142,248)</u>	-
<u>(254,107)</u>	-	<u>(254,107)</u>	-
<u>(4,705,236)</u>	-	<u>(4,705,236)</u>	-
-	(13,318)	(13,318)	-
-	-	-	-
-	-	-	(6,523)
<u>(4,705,236)</u>	<u>(13,318)</u>	<u>(4,718,554)</u>	<u>(6,523)</u>
1,381,828	-	1,381,828	-
374,318	-	374,318	-
157,854	-	157,854	-
318,172	-	318,172	-
2,475,044	-	2,475,044	-
19,568	-	19,568	3,552
5,176	-	5,176	-
(1,200)	1,200	-	-
<u>4,730,760</u>	<u>1,200</u>	<u>4,731,960</u>	<u>3,552</u>
25,524	(12,118)	13,406	(2,971)
<u>2,677,300</u>	<u>28,085</u>	<u>2,705,385</u>	<u>106,681</u>
<u>2,702,824</u>	<u>15,967</u>	<u>2,718,791</u>	<u>103,710</u>

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2005

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments:			
ISCAP	1,889,303	-	1,889,303
Other	25,828	220,521	246,349
Receivables:			
Property tax:			
Delinquent	21,053	7,472	28,525
Succeeding year	1,601,928	305,374	1,907,302
Accounts	617	-	617
Accrued interest - ISCAP	8,917	-	8,917
Inventories	5,451	-	5,451
Interfund receivable	205,000	-	205,000
Due from other governments	234,637	26,504	261,141
	<u>3,992,734</u>	<u>559,871</u>	<u>4,552,605</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	2,026	919	2,945
Salaries and benefits payable	590,222	-	590,222
Interfund payable	-	274,600	274,600
ISCAP warrants payable	1,882,000	-	1,882,000
ISCAP accrued interest payable	8,635	-	8,635
ISCAP premium	20,245	-	20,245
Deferred revenue:			
Succeeding year property tax	1,601,928	305,374	1,907,302
Other	137,000	-	137,000
Total liabilities	<u>4,242,056</u>	<u>580,893</u>	<u>4,822,949</u>
Fund balances:			
Reserved for:			
Inventories	5,451	-	5,451
Debt service	-	8,038	8,038
Unreserved, reported in:			
General fund	(254,773)	-	(254,773)
Special revenue funds	-	92,312	92,312
Capital project fund	-	(121,372)	(121,372)
Total fund balances	<u>(249,322)</u>	<u>(21,022)</u>	<u>(270,344)</u>
	<u>3,992,734</u>	<u>559,871</u>	<u>4,552,605</u>

See notes to financial statements.

## ELDORA-NEW PROVIDENCE 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 (Exhibit C)</b>	<b>(270,344)</b>
<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 reported as assets in the governmental funds.	5,504,072
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	137,000
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(7,975)
An internal service fund is used by the District's management to charge the costs of the partially self-funded health insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	188,382
Long-term liabilities, including bonds payable, notes payable, compensated absences and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,848,311)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<b><u><u>2,702,824</u></u></b>

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	1,436,238	782,611	2,218,849
Tuition	450,521	-	450,521
Other	122,864	165,007	287,871
State sources	2,916,443	490	2,916,933
Federal sources	239,826	-	239,826
Total revenues	<u>5,165,892</u>	<u>948,108</u>	<u>6,114,000</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	2,422,837	20,236	2,443,073
Special instruction	1,033,569	-	1,033,569
Other instruction	366,514	157,024	523,538
	<u>3,822,920</u>	<u>177,260</u>	<u>4,000,180</u>
Support services:			
Student services	266,640	-	266,640
Instructional staff services	125,522	-	125,522
Administration services	500,857	73,392	574,249
Operation and maintenance of plant services	396,198	-	396,198
Transportation services	143,738	-	143,738
	<u>1,432,955</u>	<u>73,392</u>	<u>1,506,347</u>
Non-instructional programs	<u>2,782</u>	<u>-</u>	<u>2,782</u>
Other expenditures:			
Facilities acquisition	-	135,720	135,720
Long-term debt:			
Principal	-	435,246	435,246
Interest and fiscal charges	-	114,037	114,037
AEA flowthrough	191,554	-	191,554
	<u>191,554</u>	<u>685,003</u>	<u>876,557</u>
Total expenditures	<u>5,450,211</u>	<u>935,655</u>	<u>6,385,866</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(284,319)</u>	<u>12,453</u>	<u>(271,866)</u>
Other financing sources (uses):			
Sales of materials and equipment	999	-	999
Operating transfers in	-	162,568	162,568
Operating transfers out	(76,168)	(86,400)	(162,568)
Total other financing sources (uses)	<u>(75,169)</u>	<u>76,168</u>	<u>999</u>
Net change in fund balances	(359,488)	88,621	(270,867)
Fund balances beginning of year, as restated	110,166	(109,643)	523
Fund balances end of year	<u>(249,322)</u>	<u>(21,022)</u>	<u>(270,344)</u>

See notes to financial statements.

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds to the  
Statement of Activities

Year ended June 30, 2005

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(270,867)

**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 not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures were lower than depreciation expense in the year as follows:

Expenditures for capital assets	157,113	
Depreciation expense	<u>(303,803)</u>	(146,690)

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.

17,000

Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

435,246

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

1,742

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

Early retirement	\$ 7,144	
Compensated absences	<u>(51,401)</u>	(44,257)

An internal service fund is used by the District's management to charge the costs of the partially self-funded health insurance program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

33,350

**Changes in net assets of governmental activities (Exhibit B)**25,524

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2005

	Enterprise Fund	Governmental Activities - Internal Service Fund
	<u>Nonmajor School Nutrition</u>	<u>Service Fund</u>
	\$	\$
<b>Assets</b>		
Cash and cash equivalents	-	144,745
Accounts receivable	72	-
Interfund receivable	-	69,600
Inventories	4,748	-
Capital assets, net of accumulated depreciation	<u>13,908</u>	<u>-</u>
<b>Total assets</b>	<u>18,728</u>	<u>214,345</u>
<b>Liabilities</b>		
Warrants issued in excess of bank balance	388	-
Accounts payable	-	25,963
Deferred revenue	<u>2,373</u>	<u>-</u>
<b>Total liabilities</b>	<u>2,761</u>	<u>25,963</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	13,908	-
Unrestricted	<u>2,059</u>	<u>188,382</u>
<b>Total net assets</b>	<u>15,967</u>	<u>188,382</u>

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Enterprise Fund	Governmental Activities - Internal Service Fund
	Nonmajor School Nutrition	Service Fund
	\$	\$
Operating revenue:		
Local sources:		
Charges for service	141,776	140,908
Operating expenses:		
Non-instructional programs:		
Salaries	95,908	-
Benefits	37,449	107,865
Supplies	138,543	-
Depreciation	2,631	-
Other	-	31
	<u>274,531</u>	<u>107,896</u>
Operating gain (loss)	<u>(132,755)</u>	<u>33,012</u>
Non-operating revenue:		
State sources	3,341	-
Federal sources	116,096	-
Interest income	-	338
Total non-operating revenue	<u>119,437</u>	<u>338</u>
Gain (loss) before contributions and transfers	(13,318)	33,350
Capital contributions	<u>1,200</u>	<u>-</u>
Change in net assets	(12,118)	33,350
Net assets beginning of year	<u>28,085</u>	<u>155,032</u>
Net assets end of year	<u><u>15,967</u></u>	<u><u>188,382</u></u>

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2005

	Enterprise Fund	Governmental Activities - Internal Service Fund
	Nonmajor School Nutrition	Fund
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	142,118	-
Sale of services to other funds	-	140,908
Cash payments to employees for services	(133,357)	(87,736)
Cash payments to suppliers for goods or services	(123,116)	(31)
Net cash provided (used) by operating activities	<u>(114,355)</u>	<u>53,141</u>
Cash flows from non-capital financing activities:		
State grants received	3,341	-
Federal grants received	101,438	-
Net cash provided by non-capital financing activities	<u>104,779</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Loans to other funds	-	(11,500)
Cash flows from investing activities:		
Interest on investments	-	338
Net increase (decrease) in cash and cash equivalents	(9,576)	41,979
Cash and cash equivalents at beginning of year	9,188	102,766
Cash and cash equivalents at end of year	<u>(388)</u>	<u>144,745</u>
<b>Reconciliation of operating gain (loss) to net cash provided (used) by operating activities:</b>		
Operating gain (loss)	(132,755)	33,012
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	14,658	-
Depreciation	2,631	-
Decrease (increase) in inventories	1,464	-
Decrease (increase) in accounts receivable	11	-
(Decrease) increase in accounts payable	(695)	20,129
(Decrease) increase in deferred revenue	331	-
Net cash used in operating activities	<u>(114,355)</u>	<u>53,141</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2005 the District received \$14,658 of federal commodities.

During the year ended June 30, 2005 the School Nutrition Fund received \$1,200 of equipment that was purchased by other funds.

See notes to financial statements.

# ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2005

### 1. Summary of Significant Accounting Policies

Eldora-New Providence Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Eldora and New Providence, Iowa and the predominately agricultural territory in a portion of Grundy, Hardin and Marshall 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, Eldora-New Providence Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Eldora-New Providence Community School District Foundation meets the definition and has been included in the government-wide financial statements as a discretely presented component unit.

The Eldora-New Providence Community School District Foundation, was established to maintain, develop, and expand the facilities and services of the Eldora-New Providence Community School District, and to foster educational opportunities for the students, staff, faculty and the residents of the geographical area served by the Eldora-New Providence Community School District. The Foundation has a December 31, year-end. Foundation financial statements are shown in the Statement of Net Assets and the Statement of Activities in separate columns. As explained in the Independent Auditor's Opinion, the Foundation financial statements have not been audited.

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

#### B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District's internal service fund is also reported as a proprietary fund. The internal service fund is used to account for the District's medical deductible reimbursement program.

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

#### D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next

fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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 and governmental funds are recorded as expenses when consumed rather than when purchased or received.

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	7-30 years

The District's collection of library books and other similar materials 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.

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

#### E. Budgeting and Budgetary Control

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

## 2. **Cash and Pooled Investments**

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

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

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

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board number 40.

**3. Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
General Fund	Capital Projects Fund	205,000
Internal Service Fund	Special Revenue: Management Fund	69,600

The Internal Service Fund loaned the Management Fund \$69,600 to improve cash flow in the Management Fund. The District expects that the loan will be repaid within the next two fiscal years.

The Capital Projects Fund owes the General Fund \$205,000 for previous year note payments that were made from the General Fund, but now are reclassified as Capital Projects Fund payments. The District expects this loan to be repaid over the next several years.

**4. Interfund Transfers**

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

Transfer to	Transfer from	Amount
		\$
Debt Service Fund	General Fund	76,186
Debt Service Fund	Capital Projects Fund	86,400

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

**5. Iowa School Cash Anticipation Program (ISCAP)**

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

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2004-05A	6/30/04	6/30/05	-	54	-	-
2004-05B	1/28/05	1/27/06	673,943	8,603	672,000	8,232
2005-06A	6/30/05	6/30/06	1,215,360	260	1,210,000	403
Total			<u>1,889,303</u>	<u>8,917</u>	<u>1,882,000</u>	<u>8,635</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	703,598	703,598	-

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

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2004-05A	3.000	2.463
2004-05B	3.500	2.280
2005-06A	4.000	3.903

## 6. Anticipatory Warrants

The District issued and repaid the following warrants with a 4.25% interest rate during the year:

Balance Beginning of Year	Loan Received	Loan Repaid	Balance End of Year
\$	\$	\$	\$
-	350,005	350,005	-

## 7. 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
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	235,570	-	-	235,570
Capital assets being depreciated:				
Buildings	6,532,473	42,973	-	6,575,446
Improvements other than buildings	218,679	-	-	218,679
Furniture and equipment	1,798,688	114,140	49,949	1,862,879
Total capital assets being deprec.	<u>8,549,840</u>	<u>157,113</u>	<u>49,949</u>	<u>8,657,004</u>
Less accumulated depreciation for:				
Buildings	2,381,690	131,313	-	2,513,003
Improvements other than buildings	46,744	10,935	-	57,679
Furniture and equipment	706,214	161,555	49,949	817,820
Total accumulated depreciation	<u>3,134,648</u>	<u>303,803</u>	<u>49,949</u>	<u>3,388,502</u>
Total capital assets being depreciated, net	<u>5,415,192</u>	<u>(146,690)</u>	<u>-</u>	<u>5,268,502</u>
Governmental activities capital assets, net	<u>5,650,762</u>	<u>(146,690)</u>	<u>-</u>	<u>5,504,072</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	181,420	1,200	-	182,620
Less accumulated depreciation	<u>166,081</u>	<u>2,631</u>	<u>-</u>	<u>168,712</u>
Business type activities capital assets, net	<u>15,339</u>	<u>(1,431)</u>	<u>-</u>	<u>13,908</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	77,954
Other	5,900
Support Services:	
Administration services	310
Operation and maintenance of plant services	39,285
Transportation	38,106
	<u>161,555</u>
Unallocated depreciation	<u>142,248</u>
Total depreciation expense – governmental activities	<u>303,803</u>

Business type activities:  
Food services

2,631

## 8. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	2,235,000	-	300,000	1,935,000	310,000
Energy management notes	455,000	-	85,000	370,000	85,000
Capital leases	50,246	-	50,246	-	-
Early retirement	237,799	12,170	19,314	230,655	20,188
Compensated absences	261,255	56,934	5,533	312,656	14,458
<b>Total</b>	<u>3,239,300</u>	<u>69,104</u>	<u>460,093</u>	<u>2,848,311</u>	<u>429,646</u>

### Early Retirement

The District offered a voluntary early retirement plan to its certified employees during the year ended June 30, 2004. Eligible employees must be at least age fifty-five at the time of retirement. Employees had to complete an application by March 26, 2004 which was subject to approval by the Board of Education. The employees selecting early retirement elected to actually retire at a point between June 30, 2004 and June 30, 2008. Early retirement incentives are based on the greater of one-third of the annual gross salary at the time of retirement or \$1,000 per year for each year employed by Eldora-New Providence Community School District. Early retirement expenditures for the year ended June 30, 2005 totaled \$19,314.

### General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of May, 1998			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2006	4.300	310,000	84,974	394,974
2007	4.350	330,000	71,644	401,644
2008	4.375	345,000	57,289	402,289
2009	4.400	365,000	42,195	407,195
2010	4.450	380,000	26,135	406,135
2011	4.500	205,000	9,225	214,225
		<u>1,935,000</u>	<u>291,462</u>	<u>2,226,462</u>

## Energy Management Capital Loan Notes

The District issued \$250,000 of notes at no interest on June 30, 2002 and \$550,000 of notes, at 5.5% interest, on July 1, 2002. The proceeds of the notes were used to purchase and install a wind generator. Details of the District's June 30, 2005 energy management capital loan notes are as follows:

Year Ending June 30,	June 30, 2002 Issue		June 30, 2002 Issue		Total
	Principal	Interest	Principal	Interest	
	\$	\$	\$	\$	\$
2006	25,000	-	60,000	10,725	95,725
2007	25,000	-	65,000	7,425	97,425
2008	25,000	-	70,000	3,850	98,850
2009	25,000	-	-	-	25,000
2010	25,000	-	-	-	25,000
2011-2012	50,000	-	-	-	50,000
	<u>175,000</u>	<u>-</u>	<u>195,000</u>	<u>22,000</u>	<u>392,000</u>

During the year ended June 30, 2005 the District made principal and interest payments totaling \$99,850 under the note agreements. The General Fund paid \$25,000 and the Capital Projects Fund paid \$74,850

## 9. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$197,055, \$192,913, and \$192,056 respectively, equal to the required contributions for each year.

## 10. 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 \$3.9 million. The District's share of this assessment was \$18,676 which is recorded as a liability as of June 30, 2005.

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

**11. 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 \$191,554 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.

**12. Fund Balance Deficit**

The Special Revenue, Management Fund has a \$9,488 deficit unreserved fund balance, the Capital Projects Sales Tax Fund has a \$121,372 deficit unreserved fund balance and the General Fund has a \$254,773 deficit unreserved fund balance at June 30, 2005.

**13. Restatement of Beginning Fund Balances**

The District issued \$550,000 of notes for a wind turbine in July 2002. At the time of issuance all of the notes were classified as General Fund notes. In June 2005 the Board of Directors approved retroactively reclassifying \$460,000 of the notes as PPEL Fund notes. This allows the payment of the notes and interest to be made with the proceeds from the Capital Projects Local Option Sales Tax. The following table shows how the reclassification changed the beginning fund balances.

	Fund	
	General	Nonmajor Funds
Fund balance at June 30, 2004	\$ (143,326)	\$ 143,849
Reclassification of note principal paid in fiscal year 2004	205,000	(205,000)
Reclassification on interest paid in prior years	48,492	(48,492)
Beginning balances, as restated	<u>110,166</u>	<u>(109,643)</u>

REQUIRED SUPPLEMENTARY INFORMATION

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2005

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual
	Fund Actual	Fund Actual		Original	Final	Variance - Positive (Negative)
	\$	\$	\$		\$	\$
Receipts:						
Local sources	2,910,879	142,118	3,052,997	3,489,864	3,489,864	(436,867)
State sources	2,967,265	3,341	2,970,606	3,180,194	3,180,194	(209,588)
Federal sources	245,525	116,096	361,621	360,000	360,000	1,621
Total receipts	<u>6,123,669</u>	<u>261,555</u>	<u>6,385,224</u>	<u>7,030,058</u>	<u>7,030,058</u>	<u>(644,834)</u>
Disbursements:						
Instruction	3,986,474	-	3,986,474	4,210,000	4,210,000	223,526
Support services	1,475,750	-	1,475,750	1,619,500	1,619,500	143,750
Non-instructional programs	-	271,131	271,131	305,500	305,500	34,369
Other expenditures	876,557	-	876,557	741,673	770,000	(106,557)
Total disbursements	<u>6,338,781</u>	<u>271,131</u>	<u>6,609,912</u>	<u>6,876,673</u>	<u>6,905,000</u>	<u>295,088</u>
Excess (deficiency) of receipts over (under) disbursements	(215,112)	(9,576)	(224,688)	153,385	125,058	(349,746)
Other financing sources (uses) net	<u>11,501</u>	<u>-</u>	<u>11,501</u>	<u>5,530</u>	<u>5,530</u>	<u>5,971</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	(203,611)	(9,576)	(213,187)	158,915	130,588	(343,775)
Balance beginning of year	<u>449,960</u>	<u>9,188</u>	<u>459,148</u>	<u>1,120,728</u>	<u>1,120,728</u>	<u>(661,580)</u>
Balance end of year	<u><u>246,349</u></u>	<u><u>(388)</u></u>	<u><u>245,961</u></u>	<u><u>1,279,643</u></u>	<u><u>1,251,316</u></u>	<u><u>(1,005,355)</u></u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	6,123,669	(9,669)	6,114,000
Expenditures	6,338,781	47,085	6,385,866
Net	(215,112)	(56,754)	(271,866)
Other financing sources (uses) net	11,501	(10,502)	999
Beginning fund balances	449,960	(449,437)	523
Ending fund balances	<u>246,349</u>	<u>(516,693)</u>	<u>(270,344)</u>

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
\$	\$	\$	
Revenues	261,555	(342)	261,213
Expenditures	271,131	3,400	274,531
Net	(9,576)	(3,742)	(13,318)
Other financing sources (uses) net	-	1,200	1,200
Beginning fund balances	9,188	18,897	28,085
Ending fund balances	<u>(388)</u>	<u>16,355</u>	<u>15,967</u>

ELDORA-NEW PROVIDENCE 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 Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by the 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, the District adopted one budget amendment increasing budgeted disbursements by \$28,327.

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

OTHER SUPPLEMENTARY INFORMATION

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2005

Assets	Special Revenue Funds			Capital Projects	Debt Service	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Sales Tax		
	\$	\$	\$	\$	\$	\$
Cash and pooled investments	58,660	99,598	2,283	57,962	2,018	220,521
Receivables:						
Property tax:						
Delinquent	1,452	-	-	-	6,020	7,472
Succeeding year	110,000	-	-	-	195,374	305,374
Due from other governments	-	-	-	26,504	-	26,504
<b>Total assets</b>	<b>170,112</b>	<b>99,598</b>	<b>2,283</b>	<b>84,466</b>	<b>203,412</b>	<b>559,871</b>
<b>Liabilities &amp; Fund Balances</b>						
Liabilities:						
Accounts payable	-	81	-	838	-	919
Interfund payables	69,600	-	-	205,000	-	274,600
Deferred revenue:						
Succeeding year property tax	110,000	-	-	-	195,374	305,374
Total liabilities	179,600	81	-	205,838	195,374	580,893
Fund balances:						
Reserved for debt service	-	-	-	-	8,038	8,038
Unreserved fund balance reported in:						
Special revenue funds	(9,488)	99,517	2,283	-	-	92,312
Capital project funds	-	-	-	(121,372)	-	(121,372)
Total fund balances	(9,488)	99,517	2,283	(121,372)	8,038	(21,022)
<b>Total liabilities and fund balances</b>	<b>170,112</b>	<b>99,598</b>	<b>2,283</b>	<b>84,466</b>	<b>203,412</b>	<b>559,871</b>

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2005

	Special Revenue Funds			Capital Projects		Total
	Management	Student	Physical	Sales Tax	Debt	
	Levy	Activity	Plant and			
\$	Fund	Equipment	\$	Service	\$	
Revenues:						
Local sources:						
Local tax	89,347	-	-	318,172	375,092	782,611
Other	-	164,209	146	216	436	165,007
State sources	95	-	-	-	395	490
Total revenues	<u>89,442</u>	<u>164,209</u>	<u>146</u>	<u>318,388</u>	<u>375,923</u>	<u>948,108</u>
Expenditures:						
Current:						
Instruction:						
Regular instruction	20,236	-	-	-	-	20,236
Other instruction	-	157,024	-	-	-	157,024
Support services:						
Administration services	73,392	-	-	-	-	73,392
Other expenditures:						
Facilities acquisition	-	-	10	135,710	-	135,720
Long-term debt:						
Principal	-	-	-	-	435,246	435,246
Interest and fiscal charges	-	-	-	-	114,037	114,037
Total expenditures	<u>93,628</u>	<u>157,024</u>	<u>10</u>	<u>135,710</u>	<u>549,283</u>	<u>935,655</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,186)</u>	<u>7,185</u>	<u>136</u>	<u>182,678</u>	<u>(173,360)</u>	<u>12,453</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	162,568	162,568
Operating transfers out	-	-	-	(86,400)	-	(86,400)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(86,400)</u>	<u>162,568</u>	<u>76,168</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(4,186)</u>	<u>7,185</u>	<u>136</u>	<u>96,278</u>	<u>(10,792)</u>	<u>88,621</u>
Fund balances beginning of year, as restated	<u>(5,302)</u>	<u>92,332</u>	<u>2,147</u>	<u>(217,650)</u>	<u>18,830</u>	<u>(109,643)</u>
Fund balances end of year	<u>(9,488)</u>	<u>99,517</u>	<u>2,283</u>	<u>(121,372)</u>	<u>8,038</u>	<u>(21,022)</u>

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
MS vocal	384	152	148	388
MS instrumental	89	1,339	1,368	60
MS athletics general	4,434	500	698	4,236
MS basketball	1,404	-	210	1,194
MS baseball/softball	316	-	140	176
MS track	542	1,861	1,468	935
MS football	1,065	-	(44)	1,109
MS wrestling	593	-	50	543
MS volleyball	911	-	400	511
MS student council	1,574	1,234	1,006	1,802
MS activities/fund raisers	1,444	16,503	15,153	2,794
MS student store	3,120	101	-	3,221
MS annual	1,477	583	537	1,523
Drama club	-	335	335	-
HS vocal music	486	12,305	12,791	-
HS instrumental music	4,105	452	899	3,658
Music resale	-	787	787	-
Performance team	212	1,967	2,179	-
HS athletics general	103	3,435	(2,633)	6,171
HS athletic resale	-	2,772	2,747	25
HS basketball	2,005	13,534	13,467	2,072
HS athletic medical	-	-	(158)	158
HS athletic clinics	-	-	(130)	130
HS baseball/softball	1,472	8,876	10,165	183
HS track	793	8,441	6,241	2,993
HS track resurfacing	12,440	3,647	2,503	13,584
HS cross country	540	1,219	1,142	617
HS tennis	77	148	89	136
HS golf	298	1,272	1,476	94
Cheerleaders	1	3,226	2,714	513
HS football	2,550	8,404	9,612	1,342
Football fund raisers	-	4,698	4,636	62
HS wrestling	7,383	4,542	8,867	3,058
HS volleyball	1,518	2,829	3,299	1,048
HS student council	2,330	1,779	1,434	2,675
Get a grip	2,344	1,392	2,088	1,648
National Honor Society	3,883	3,662	4,792	2,753
FFA	8,710	14,136	16,227	6,619
Spanish club	687	-	-	687
Class of 2002	841	-	-	841

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Class of 2003	86	-	-	86
Class of 2004	-	-	(580)	580
Class of 2005	144	1,531	1,160	515
Class of 2006	2,664	3,837	5,197	1,304
Class of 2007	183	13,489	7,045	6,627
Class of 2008	-	30	-	30
HS concessions, donations	10,348	12,036	14,395	7,989
HS annual/2005	-	6,271	313	5,958
HS annual/2004	6,088	905	6,125	868
HS annual/2002	1,084	-	-	1,084
HS annual/2003	4,998	-	-	4,998
June 30, 2004 accrual entries	(3,394)	(21)	(3,415)	-
June 30, 2005 accrual entries	-	-	81	(81)
Total	<u>92,332</u>	<u>164,209</u>	<u>157,024</u>	<u>99,517</u>

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,218,849	2,146,596	2,173,260	2,160,416
Tuition	450,521	539,036	294,837	256,866
Other	287,871	371,978	729,197	755,715
State sources	2,916,933	2,808,713	2,856,018	2,837,485
Federal sources	239,826	245,777	224,916	206,807
	<u>6,114,000</u>	<u>6,112,100</u>	<u>6,278,228</u>	<u>6,217,289</u>
Expenditures:				
Instruction:				
Regular instruction	2,443,073	2,424,608	2,386,185	2,672,171
Special instruction	1,033,569	1,076,093	1,157,997	878,234
Other instruction	523,538	531,043	351,395	348,052
Support services:				
Student services	266,640	262,857	357,062	419,598
Instructional staff services	125,522	120,932	119,723	110,161
Administration services	574,249	572,346	508,338	561,445
Operation and maintenance of plant services	396,198	415,384	1,061,698	708,245
Transportation services	143,738	162,906	182,093	133,622
Central support services	-	-	-	1,826
Non-instructional programs	2,782	2,528	3,392	2,740
Other expenditures:				
Facilities acquisition	135,720	38,687	84,784	63,738
Long-term debt:				
Principal	435,246	616,823	394,683	224,035
Interest and other charges	114,037	141,831	155,425	184,998
AEA flowthrough	191,554	195,946	200,326	199,536
	<u>6,385,866</u>	<u>6,561,984</u>	<u>6,963,101</u>	<u>6,508,401</u>

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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  
Eldora-New Providence 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 Eldora-New Providence Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated July 27, 2005. We did not issue an opinion on the Eldora-New Providence School Foundation, which is included in the District's financial statements as a discretely [presented component unit, because we were not engaged to and did not audit the Foundation. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

### Compliance and Other Matters

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Eldora-New Providence Community School District and other parties to whom Eldora-New Providence Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

July 27, 2005

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year Ended June 30, 2005

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

05-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks, and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

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

Conclusion: Response accepted.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

- 05-II-A Official Depositories: Official depositories have been approved by the District. However, the depository resolution did not set a maximum dollar deposit limit for each bank.
- Recommendation: The District's depository resolution should state a maximum dollar deposit amount allowed for each bank. The limitation should be high enough to cover the deposits in each bank during periods when cash inflows are the greatest.
- District Response: We will revise our depository resolution.
- Conclusion: Response accepted.
- 05-II-B Certified Budget: Disbursements for the year ended June 30, 2005, exceeded the amount budgeted in the other expenditures functional area.
- Recommendation: The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.
- District Response: We did amend our budget, however the amendment was not enough to cover all of the disbursements from the new Capital Projects Sales Tax Fund.
- Conclusion: Response accepted.
- 05-II-C Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 05-II-D Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 05-II-E Business Transactions: We noted no transactions between the District and District officials or employees.
- 05-II-F Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 05-II-G Board Minutes: We noted no transactions requiring board approval that had not been approved by the Board.
- 05-II-H Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 05-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 05-II-J Certified Annual Report (CAR): We reviewed a draft copy of the CAR and noted no significant deficiencies in the amounts reported.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year Ended June 30, 2005

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

05-II-K Financial Condition: The District has a General Fund deficit unreserved fund balance of \$254,773, the Capital Projects Sales Tax Fund has a deficit unreserved fund balance of \$121,372 and the Management Fund has a deficit fund balance of \$9,488 at June 30, 2005.

Recommendation: The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits.

District Response: The Management Fund deficit was caused by unexpected unemployment benefits expenses during the year ended June 30, 2005. The deficit will be covered by property tax revenue in the next fiscal year. The Capital Projects Fund deficit is due to the reclassification of note principal paid in a prior year. The deficit will be covered by future local option sales tax collections. The District has made budget cuts and implemented a cash reserve levy to reduce the General Fund deficit.

Conclusion: Response accepted.

05-II-L Policy on Payment of Bills Prior to Board Approval: We noted that the District's policy on payment of bills prior to board approval needs to be updated.

Recommendation: Chapter 179.29 of the Code of Iowa provides that "the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage and printing, without prior Board approval. This Board may approve a resolution designating certain other disbursements that may be paid prior to a Board Meeting with the approval of the Board President. The Board's written policy should comply with Chapter 279.30 of the Code of Iowa. Then, except as expressly permitted, no checks should be prepared for claims that have not been properly audited and allowed.

District Response: We will revise our policy on payment of bills prior to board approval.

Conclusion: Response accepted.

05-II-M Old Outstanding Checks: We noted that the District's bank reconciliations included approximately \$700 of old outstanding checks. Iowa Code Section 566 specifies that holders unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

Recommendation: The District should investigate the status of all old outstanding checks. Checks that were issued in error or in duplicate should be voided and removed from the list of outstanding checks. The District should search for the owners of all other outstanding checks, then reissue new checks if the owners are found. If the owners can not be found, the District must file an unclaimed property report with and send the money to the Treasurer State of Iowa.

Response: We will begin investigating the status of old outstanding checks and we will file an unclaimed property report with the Treasurer of Iowa if necessary.

Conclusion: Response accepted.