

Turkey Valley Community School District

Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings

June 30, 2005

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**Turkey Valley Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2004 Election)</b>		
Roger Ott	President	2005
Linus Kuhn	Vice President	2006
John Cuvelier	Board Member	2006
Scott Adams	Board Member	2005
Jolene Steinlage	Board Member	2004
<b>Board of Education</b>		
<b>(After September 2004 Election)</b>		
Roger Ott	President	2005
Linus Kuhn	Vice President	2006
John Cuvelier	Board Member	2006
Scott Adams	Board Member	2005
Jolene Steinlage	Board Member	2007
<b>School Officials</b>		
Karlos McClure *	Superintendent	2005
Cathy Dietzenbach	Business Manager	2005
Brian Gruhn	Attorney	2005
* Retired 6-30-05		

## Independent Auditor's Report

To the Board of Education of  
Turkey Valley Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Turkey Valley Community School District, Jackson Junction, 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe my audit provides a reasonable basis for my opinion.

In my 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 Turkey Valley Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated August 29, 2005 on my consideration of Turkey Valley Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Turkey Valley Community School District's basic financial statements. I 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 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Keith Oltrogge  
Certified Public Accountant

August 29, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### 2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,256,209 in fiscal year 2004 to \$4,314,019 in fiscal year 2005, while General Fund expenditures decreased from \$4,333,612 in fiscal 2004 to \$4,294,132 in fiscal 2005. The District's General Fund balance increased from \$366,846 in fiscal 2004 to \$369,744 in fiscal year 2005, a 1% increase.
- The increase in General Fund revenues was attributable to increases in open enrollment tuition and others in fiscal 2005 while the state aid, special education deficit and M&E replacement also increased. The decrease in expenditures was due to a decrease in overall expenses except salaries.
- The interest rates have increased and the District maintained the same amount of interest income even though they had less invested.
- An increase in the District's General Fund balance resulted in the District's solvency ratio increasing from 8.5% in 2004 to 8.6% in fiscal 2005. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

### 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 Turkey Valley 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 Turkey Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Turkey Valley Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

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 non-major Special Revenue Funds.

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

**Figure A-1**  
**Turkey Valley Community School District Annual Financial Report**

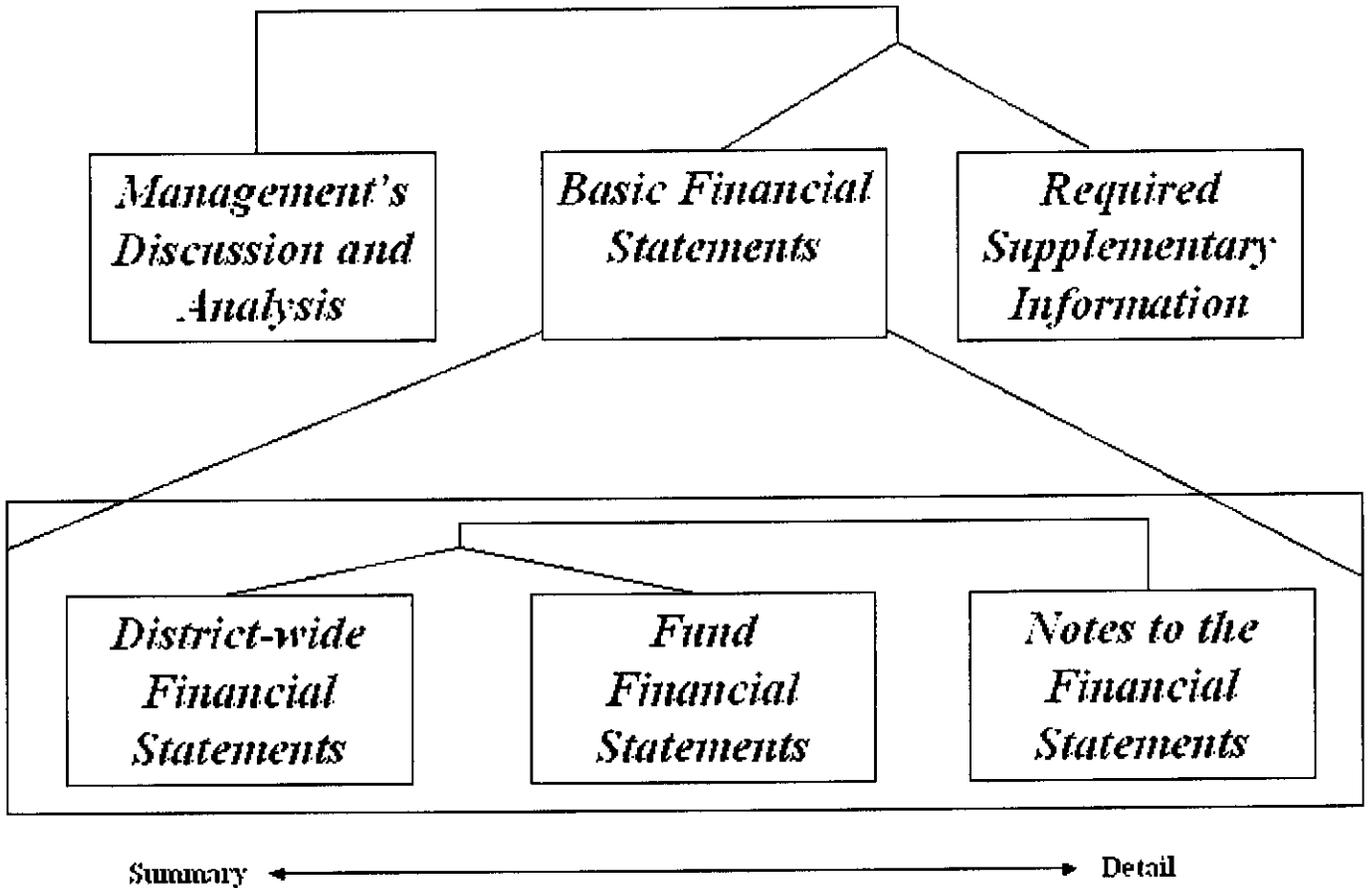


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	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	Statement of net assets  Statement of activities	Balance sheet  Statement of revenues, expenditures and changes in fund balances	Statement of net assets  Statement of revenues, expenses and changes in fund net assets  Statement of cash flows	Statement of fiduciary net assets  Statement of changes in fiduciary net assets
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 and preschool programs are 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 three 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 two Enterprise Funds, the School Nutrition Fund and the Preschool Fund.

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.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include a Private-Purpose Trust Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation 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.

**Figure A-3**  
**Condensed Statement of Net Assets**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Current and other assets	\$3,181,246	\$3,088,483	\$7,154	\$6,827	\$3,188,400	\$3,095,310	3.0%
Capital assets	1,987,178	1,934,272	26,972	6,605	2,014,150	1,940,877	3.8%
Total assets	\$5,168,424	\$5,022,755	\$34,126	\$13,432	\$5,202,550	\$5,036,187	3.3%
Long-term liabilities	\$369,733	\$530,545	\$-	\$-	\$369,733	\$530,545	-30.3%
Other liabilities	2,393,418	2,375,048	2,871	2,694	2,396,289	2,377,742	0.8%
Total liabilities	\$2,763,151	\$2,905,593	\$2,871	\$2,694	\$2,766,022	\$2,908,287	-4.9%
Net assets:							
Invested in capital assets, net of related debt	\$1,645,301	\$1,462,210	\$26,972	\$6,605	\$1,672,273	\$1,468,815	13.9%
Restricted	-	288,106	-	-	-	288,106	100.0%
Unrestricted	759,972	366,846	4,283	4,133	764,255	370,979	106.0%
Total net assets	\$2,405,273	\$2,117,162	\$31,255	\$10,738	\$2,436,528	\$2,127,900	14.5%

The District’s combined net assets increased by nearly 14.5%, or \$308,628, over the prior year. The largest portion of the District’s net assets is in 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 by \$288,106, or 100% over the prior year. The decrease was primarily a result of the release of the restrictions.

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 – increased \$393,276, or 106%. The increase was primarily due to the release of restricted net assets in the amount of \$288,106.

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

**Figure A-4  
Changes in Net Assets**

	Governmental Activities	Business Type Activities	Total District
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for service	\$577,208	\$155,376	\$732,584
Operating grants, contributions and restricted interest	455,031	79,334	534,365
Capital grants, contributions and restricted interest	-	-	-
<b>General revenues:</b>			
Property tax	1,745,603	-	1,745,603
Local option sales and services tax	314,320	-	314,320
Unrestricted state grants	1,966,763	-	1,966,763
Unrestricted investment earnings	17,106	1,215	18,321
Other	16,924	1,252	18,176
<b>Total revenues</b>	<b>\$5,092,955</b>	<b>\$237,177</b>	<b>\$5,330,132</b>
<b>Program expenses:</b>			
<b>Governmental activities:</b>			
Instruction	\$3,162,168	\$-	\$3,162,168
Support services	1,412,738	-	1,412,738
Non-instructional programs	2,167	256,035	258,202
Other expenses	188,396	-	188,396
<b>Total expenses</b>	<b>\$4,765,469</b>	<b>\$256,035</b>	<b>\$5,021,504</b>
<b>Change in net assets</b>	<b>\$327,486</b>	<b>-\$18,858</b>	<b>\$308,628</b>

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91% of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$5,092,955 and expenses were \$4,765,469.

The local option sales tax revenue of \$314,320 contributed to the principal and interest payments of the Early Childhood Literacy Addition of \$142,677. Other improvements include the vestibule by the gymnasium entrance of \$17,662, paving by the Elementary of \$2,000, and continued window replacement of 13 DeVac windows of \$24,330. The District has paid off two years of a four and one-half year loan on the Early Childhood Literacy Addition.

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

**Figure A-5  
Total and Net Cost of  
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$3,162,168	\$2,154,654
Support services	1,412,738	1,388,013
Non-instructional programs	2,167	2,167
Other expenses	188,396	188,396
<b>Totals</b>	<b>\$4,765,469</b>	<b>\$3,733,230</b>

- The cost financed by users of the District's programs was \$732,584.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$534,365.
- The net cost of governmental activities was financed with \$2,059,923 in property and other taxes and \$1,966,763 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$237,177 and expenses were \$256,034. The District's business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2005, the District served fewer meals. The cook's workday was kept to 8 hours, resulting in no overtime payments.

### **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$795,324, comparable to last year's ending fund balance of \$714,293.

### **Governmental Fund Highlights**

- The District is trying to curb all unnecessary expenditures while providing excellent educational opportunities for the students.
- The Physical Plant and Equipment Levy (PPEL) Fund property tax asking was decreased from \$1.00 to \$.7654 to increase funding in the general fund while expenditures remained approximately the same. The PPEL balance has decreased from \$156,362 to \$106,350, a total of \$50,002. The PPEL Fund purchased a bus, a school truck, redeveloped the well and painted the hallways. PPEL has been used in unison with the Capital Projects Fund to keep up financially with all the remodeling or updating of the school facilities.
- The Capital Projects Fund balance has increased from \$96,498 to \$206,336, a total of \$109,838. The Capital Projects Fund balance is paying the principal and interest on the Early Childhood Literacy Addition over four and one-half years. Revenues from the one-cent sales tax have increased over the year. Plans for the fund balance include replacing the school lockers, masonry work to the multi-purpose room and additional window replacement during the 2005 summer.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased \$20,517. For fiscal 2005, the District did not charge the School Nutrition Fund for all secretarial or custodial help incurred by this program.

**BUDGETARY HIGHLIGHTS**

The District's Governmental receipts were \$139,069 less than budgeted receipts, a variance of 2.6%. The variance resulted from the District receiving less in state aid than originally anticipated.

Total Governmental 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 \$2,014,150, 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 increase of 3.8% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$192,711.

The original cost of the District's capital assets was \$5,918,162. Governmental funds account for \$5,878,904, with the remainder of \$39,258 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6  
Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Land	\$31,046	\$31,046	\$-	\$-	\$31,046	\$31,046	0.0%
Buildings	1,568,011	1,517,911	-	-	1,568,011	1,517,911	3.3%
Improvements other than buildings	61,307	38,960	-	-	61,307	38,960	57.4%
Furniture and equipment	326,814	346,355	26,972	6,605	353,786	352,960	0.2%
<b>Totals</b>	<b>\$1,987,178</b>	<b>\$1,934,272</b>	<b>\$26,972</b>	<b>\$6,605</b>	<b>\$2,014,150</b>	<b>\$1,940,877</b>	<b>3.8%</b>

**Long-Term Debt**

At June 30, 2005, the District had \$369,733 in general obligation and other long-term debt outstanding. This represents a decrease of 30.3% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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

	Total District		Total Change
	June 30,		June 30,
	2005	2004	2004-2005
General obligation bonds	\$341,877	\$472,062	-27.6%
Early retirement	27,856	58,483	-52.4%
<b>Totals</b>	<b>\$369,733</b>	<b>\$530,545</b>	<b>-30.3%</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.

- The District has experienced declining enrollment for the past years and expects it to continue to decline in the future.
- The District has maintained a replacement schedule for the bus fleet. However, the vehicles are aging and restrictions have been placed on a vehicle prohibiting transportation of children. The District replaced the school truck in 2004-05 and will replace a school vehicle in 2005-06. The District is also looking at the purchase of larger buses to reduce the number of bus routes.
- The District is looking at the renewal of the Instructional Support Levy at the 10% voted rate with a property tax/income surtax mix.

## **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 Cathy Dietzenbach, Business Manager, Turkey Valley Community School District, Jackson Junction IA 52171.

## **Basic Financial Statements**

Turkey Valley Community School District

Statement of Net Assets

June 30, 2005

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents:			
ISCAP	\$ 574,086	\$ -	\$ 574,086
Other	658,983	1,940	660,923
Receivables:			
Property tax:			
Delinquent	34,610	-	34,610
Succeeding year	1,778,771	-	1,778,771
Accounts	75,905	-	75,905
Accrued interest:			
ISCAP	4,014	-	4,014
Other	91	168	259
Due from other governments	54,786	-	54,786
Inventories	-	5,046	5,046
Capital assets, net of accumulated depreciation	1,987,178	26,972	2,014,150
<b>Total Assets</b>	<b>\$ 5,168,424</b>	<b>\$ 34,126</b>	<b>\$ 5,202,550</b>
<b>Liabilities</b>			
Accounts payable	\$ 9,742	\$ -	\$ 9,742
Salaries and benefits payable	17,368	-	17,368
Accrued interest payable	844	-	844
Deferred revenue-succeeding year property tax	1,778,771	-	1,778,771
Deferred revenue-other	-	2,871	2,871
ISCAP warrants payable	572,000	-	572,000
ISCAP accrued interest payable	4,323	-	4,323
Early retirement benefits	4,866	-	4,866
Other liabilities	5,504	-	5,504
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	132,782	-	132,782
Early retirement	5,000	-	5,000
Portion due after one year:			
General obligation bonds payable	209,095	-	209,095
Early retirement	22,856	-	22,856
<b>Total Liabilities</b>	<b>\$ 2,763,151</b>	<b>\$ 2,871</b>	<b>\$ 2,766,022</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 1,645,301	\$ 26,972	\$ 1,672,273
Unrestricted	759,972	4,283	764,255
<b>Total Net Assets</b>	<b>\$ 2,405,273</b>	<b>\$ 31,255</b>	<b>\$ 2,436,528</b>

**Turkey Valley Community School District**

**Statement of Activities**

**Year Ended June 30, 2005**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs</b>				
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 2,099,617	\$ 278,566	\$ 356,070	\$ -
Special instruction	477,030	67,215	67,276	-
Other instruction	585,521	231,427	6,960	-
	<u>\$ 3,162,168</u>	<u>\$ 577,208</u>	<u>\$ 430,306</u>	<u>\$ -</u>
<b>Support Services:</b>				
Student services	\$ 155,344	\$ -	\$ -	\$ -
Instructional staff services	117,922	-	-	-
Administration services	456,802	-	-	-
Operation and maintenance of plant services	464,663	-	-	-
Transportation services	218,007	-	24,725	-
	<u>\$ 1,412,738</u>	<u>\$ -</u>	<u>\$ 24,725</u>	<u>\$ -</u>
Non-instructional programs	\$ 2,167	\$ -	\$ -	\$ -
<b>Other Expenditures:</b>				
Long-term debt interest	\$ 12,478	\$ -	\$ -	\$ -
AEA flow-through	175,918	-	-	-
	<u>\$ 188,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Governmental Activities</b>	<u>\$ 4,765,469</u>	<u>\$ 577,208</u>	<u>\$ 455,031</u>	<u>\$ -</u>
<b>Business Type Activities:</b>				
<b>Non-Instructional Programs:</b>				
Food service operations	\$ 225,352	\$ 141,682	\$ 79,334	\$ -
Preschool operations	30,683	13,694	-	-
	<u>\$ 256,035</u>	<u>\$ 155,376</u>	<u>\$ 79,334</u>	<u>\$ -</u>
<b>Total</b>	<u>\$ 5,021,504</u>	<u>\$ 732,584</u>	<u>\$ 534,365</u>	<u>\$ -</u>

Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ -1,464,981	\$ -	\$ -1,464,981
-342,539	-	-342,539
-347,134	-	-347,134
<u>\$ -2,154,654</u>	<u>\$ -</u>	<u>\$ -2,154,654</u>
\$ -155,344	\$ -	\$ -155,344
-117,922	-	-117,922
-456,802	-	-456,802
-464,663	-	-464,663
-193,282	-	-193,282
<u>\$ -1,388,013</u>	<u>\$ -</u>	<u>\$ -1,388,013</u>
\$ -2,167	\$ -	\$ -2,167
\$ -12,478	\$ -	\$ -12,478
-175,918	-	-175,918
<u>\$ -188,396</u>	<u>\$ -</u>	<u>\$ -188,396</u>
\$ -3,733,230	\$ -	\$ -3,733,230
\$ -	\$ -4,336	\$ -4,336
-	-16,989	-16,989
<u>\$ -</u>	<u>\$ -21,325</u>	<u>\$ -21,325</u>
<u>\$ -3,733,230</u>	<u>\$ -21,325</u>	<u>\$ -3,754,555</u>

**Turkey Valley Community School District**

**Statement of Activities**

**Year Ended June 30, 2005**

	<u>Program Revenues</u>		
	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b>General Revenues:</b>			
Property Tax Levied For:			
General purposes			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
<b>Total General Revenues</b>			
<b>Change in net assets</b>			
Transfers			
<b>Change in net assets</b>			
Net assets beginning of year			
<b>Net Assets End of Year</b>			

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Assets

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Governmental Activities	Business Type Activities	Total
\$ 1,644,392	\$ -	\$ 1,644,392
101,211	-	101,211
314,320	-	314,320
1,966,763	-	1,966,763
17,106	1,215	18,321
16,924	1,252	18,176
<hr/> \$ 4,060,716	<hr/> \$ 2,467	<hr/> \$ 4,063,183
\$ 327,486	\$ -18,858	\$ 308,628
-39,375	39,375	-
<hr/> \$ 288,111	<hr/> \$ 20,517	<hr/> \$ 308,628
2,117,162	10,738	2,127,900
<hr/> \$ 2,405,273	<hr/> \$ 31,255	<hr/> \$ 2,436,528

## Turkey Valley Community School District

Balance Sheet  
Governmental Funds

June 30, 2005

Assets	General	Capital Projects	Non-major Special Revenue	Total
Cash and Pooled Investments:				
ISCAP	\$ 574,086	\$ -	\$ -	\$ 574,086
Other	260,152	180,310	218,521	658,983
Receivables:				
Property Tax:				
Delinquent	30,256	-	4,354	34,610
Succeeding year	1,544,274	-	234,497	1,778,771
Accounts	49,879	26,026	-	75,905
Accrued interest:				
ISCAP	4,014	-	-	4,014
Other	91	-	-	91
Due from other governments	54,786	-	-	54,786
<b>Total Assets</b>	<b>\$ 2,517,538</b>	<b>\$ 206,336</b>	<b>\$ 457,372</b>	<b>\$ 3,181,246</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 4,325	\$ -	\$ 5,417	\$ 9,742
Salaries and benefits payable	17,368	-	-	17,368
ISCAP warrants payable	572,000	-	-	572,000
ISCAP accrued interest payable	4,323	-	-	4,323
Deferred Revenue:				
Succeeding year property tax	1,544,274	-	234,497	1,778,771
Early retirement benefits	-	-	4,866	4,866
Other liabilities	5,504	-	-	5,504
<b>Total Liabilities</b>	<b>\$ 2,147,794</b>	<b>\$ -</b>	<b>\$ 244,780</b>	<b>\$ 2,392,574</b>
Fund Balances:				
Unreserved	\$ 369,744	\$ 206,336	\$ 212,592	\$ 788,672
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,517,538</b>	<b>\$ 206,336</b>	<b>\$ 457,372</b>	<b>\$ 3,181,246</b>

See notes to financial statements.

**Turkey Valley Community School District**  
**Reconciliation of the Balance Sheet – Governmental Funds**  
**To the Statement of Net Assets**

**June 30, 2005**

<b>Total fund balances of governmental funds (page 16)</b>	\$ 788,672
 <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	1,987,178
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	-844
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-369,733</u>
<b>Net assets of governmental activities (page 13)</b>	<u>\$ 2,405,273</u>

**Turkey Valley Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**

**Year Ended June 30, 2005**

	General	Capital Projects	Non-Major Special Revenue	Total
<b>Revenues:</b>				
<b>Local Sources:</b>				
Local tax	\$ 1,534,717	\$ -	\$ 210,886	\$ 1,745,603
Tuition	273,768	-	-	273,768
Other	40,873	316,868	251,001	608,742
Intermediate sources	43,048	-	-	43,048
State sources	2,356,248	-	181	2,356,429
Federal sources	65,365	-	-	65,365
<b>Total Revenues</b>	<b>\$ 4,314,019</b>	<b>\$ 316,868</b>	<b>\$ 462,068</b>	<b>\$ 5,092,955</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 2,068,594	\$ -	\$ 48,071	\$ 2,116,665
Special instruction	476,850	-	-	476,850
Other instruction	352,794	-	232,538	585,332
	<b>\$ 2,898,238</b>	<b>\$ -</b>	<b>\$ 280,609</b>	<b>\$ 3,178,847</b>
<b>Support Services:</b>				
Student services	\$ 155,016	\$ -	\$ 328	\$ 155,344
Instructional staff services	107,639	-	178	107,817
Administration services	450,055	-	8,483	458,538
Operation and maintenance of plant services	322,470	-	154,095	476,565
Transportation services	184,796	-	32,001	216,797
	<b>\$ 1,219,976</b>	<b>\$ -</b>	<b>\$ 195,085</b>	<b>\$ 1,415,061</b>
Non-instructional programs	\$ -	\$ -	\$ 2,167	\$ 2,167
<b>Other Expenditures:</b>				
Facilities acquisition	\$ -	\$ 64,353	\$ 178	\$ 64,531
<b>Long-Term Debt:</b>				
Principal	-	-	130,185	130,185
Interest and fiscal charges	-	-	12,492	12,492
AEA flow-through	175,918	-	-	175,918
	<b>\$ 175,918</b>	<b>\$ 64,353</b>	<b>\$ 142,855</b>	<b>\$ 383,126</b>
<b>Total Expenditures</b>	<b>\$ 4,294,132</b>	<b>\$ 64,353</b>	<b>\$ 620,716</b>	<b>\$ 4,979,201</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 19,887</b>	<b>\$ 252,515</b>	<b>\$ -158,648</b>	<b>\$ 113,754</b>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	\$ -	\$ -	\$ 142,677	\$ 142,677
Operating transfers out	-16,989	-142,677	-22,386	-182,052
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -16,989</b>	<b>\$ -142,677</b>	<b>\$ 120,291</b>	<b>\$ -39,375</b>
<b>Net change in fund balances</b>	<b>\$ 2,898</b>	<b>\$ 109,838</b>	<b>\$ -38,357</b>	<b>\$ 74,379</b>
Fund balances beginning of year	366,846	96,498	250,949	714,293
<b>Fund Balances End of Year</b>	<b>\$ 369,744</b>	<b>\$ 206,336</b>	<b>\$ 212,592</b>	<b>\$ 788,672</b>

See notes to financial statements.

Turkey Valley Community School District

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
To the Statement of Activities

Year Ended June 30, 2005

Net change in fund balances – total governmental funds (page 18) \$ 74,379

*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, these 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 exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 242,406	
Depreciation expense	-189,500	52,906

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Repaid		130,185
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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.

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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:

New early retirement	\$ -13,800	
Early retirement	44,427	30,627

<b>Change in Net Assets of Governmental Activities (page 15)</b>		<b>\$ 288,111</b>
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Turkey Valley Community School District

Statement of Net Assets  
Proprietary Funds

June 30, 2005

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,940
Accrued interest receivable	168
Inventories	5,046
Capital assets, net of accumulated depreciation	<u>26,972</u>
<b>Total Assets</b>	<u>\$ 34,126</u>
<b>Liabilities</b>	
Deferred revenue-other	\$ 2,871
<b>Total Liabilities</b>	<u>\$ 2,871</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 26,972
Unrestricted	<u>4,283</u>
<b>Total Net Assets</b>	<u>\$ 31,255</u>

**Turkey Valley Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**

June 30, 2005

	School Nutrition	Preschool Program
Operating revenues:		
Local sources:		
Charges for service	\$ 141,682	\$ 13,694
Operating expenses:		
Non-instructional programs:		
Salaries	\$ 70,473	\$ 23,673
Benefits	34,727	5,890
Purchased services	1,758	-
Supplies	115,123	1,120
Depreciation	3,271	-
Total operating expenses	\$ 225,352	\$ 30,683
Operating loss	\$ -83,670	\$ -16,989
Non-operating revenues:		
State sources	\$ 3,742	\$ -
Federal sources	75,592	-
Interest income	1,215	-
Capital asset adjustment	1,252	-
Total non-operating revenues	\$ 81,801	\$ -
Change in net assets	\$ -1,869	\$ -16,989
Transfers	22,386	16,989
Change in net assets	\$ 20,517	\$ -
Net assets beginning of year	10,738	-
Net Assets End of Year	\$ 31,255	\$ -

## Turkey Valley Community School District

Statement of Cash Flows  
Proprietary Funds

Year Ended June 30, 2005

	School Nutrition	Preschool Program
Cash flows from operating activities:		
Cash received from preschool fees	\$ -	\$ 13,694
Cash received from sale of lunches and breakfasts	142,197	-
Cash paid to employees for services	-105,200	-29,563
Cash paid to suppliers for goods or services	-100,769	-1,120
Net cash used by operating activities	<u>\$ -63,772</u>	<u>\$ -16,989</u>
Cash flows from non-capital financing activities:		
State grants received	\$ 3,742	\$ -
Federal grants received	55,402	-
Net cash provided by non-capital financing activities	<u>\$ 59,144</u>	<u>\$ -</u>
Cash flows from investing activities:		
Interest on investments	\$ 1,087	\$ -
Net decrease in cash and cash equivalents	\$ -3,541	\$ -16,989
Transfers in	-	16,989
Net decrease in cash and cash equivalents	\$ -3,541	\$ -
Cash and cash equivalents beginning of year	5,481	-
Cash and Cash Equivalents End of Year	<u>\$ 1,940</u>	<u>\$ -</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating loss	\$ -83,670	\$ -16,989
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	16,971	-
Depreciation	3,271	-
(Increase) in inventories	-521	-
(Decrease) in accounts payable	-340	-
Increase in deferred revenue	517	-
Net Cash Used by Operating Activities	<u>\$ -63,772</u>	<u>\$ -16,989</u>

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

During the year ended June 30, 2005, the District received \$20,190 of federal commodities.

Turkey Valley Community School District

Statement of Fiduciary Net Assets  
Fiduciary Fund

June 30, 2005

	Private Purpose Trust <u>Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	\$ <u>6,878</u>
<b>Liabilities</b>	
Accounts payable	\$ <u>-</u>
<b>Net Assets</b>	
Reserved for scholarships	\$ <u>6,878</u>

**Turkey Valley Community School District**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Fund**  
**Year Ended June 30, 2005**

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 128
Deductions	
Support services:	
Scholarships awarded	\$ 800
Change in net assets	\$ -672
Net assets beginning of year	<u>7,550</u>
Net Assets End of Year	<u>\$ 6,878</u>

## Turkey Valley Community School District

### Notes to Financial Statements

June 30, 2005

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

Turkey Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominately agricultural territories and small rural communities in eastern Chickasaw, northwestern Fayette, southern Howard and southern Winneshiek 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, Turkey Valley 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. Turkey Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – 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 non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 non-fiduciary 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 attributable 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 imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 non-major 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 instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Preschool Fund. These funds are used to account for the food service and preschool operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

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 the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

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

#### 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 become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

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

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

Capital Assets – Capital assets, which include property, 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.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

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

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(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.

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

	<u>Amortized Cost</u>
Total	<u>\$ 142,224</u>

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

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.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

**(3) Inter-fund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Preschool Fund	General Fund	\$ 16,989
Debt Service	Special Revenue: Capital Projects	142,677
School Nutrition	Special Revenue: Physical Plant and Equipment Levy	22,386
		<u>\$ 182,052</u>

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

**(4) Iowa School Cash Anticipation Program (ISCAP)**

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

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Unamortized Premium
2004-2005B	1/28/05	1/27/06	\$ 291,841	\$ 3,954	\$ 291,000	\$ 4,269	\$ 1,730
2005-2006A	6/30/05	6/30/06	282,245	60	281,000	54	3,774
<b>Total</b>			<b>\$ 574,086</b>	<b>\$ 4,014</b>	<b>\$ 572,000</b>	<b>\$ 4,323</b>	<b>\$ 5,504</b>

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 25<sup>th</sup> 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. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2005.

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05B	3.500%	2.280%
2005-06A	3.903%	2.500%

(5) **Capital Assets**

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

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 31,046	\$ -	\$ -	\$ 31,046
Total capital assets not being depreciated	\$ 31,046	\$ -	\$ -	\$ 31,046
Capital assets being depreciated:				
Buildings	\$ 2,012,704	\$ 101,833	\$ -	\$ 2,114,537
Improvements other than buildings	66,106	22,924	-	89,030
Furniture and equipment	3,576,349	117,649	49,707	3,644,291
Total capital assets being depreciated	\$ 5,655,159	\$ 242,406	\$ 49,707	\$ 5,847,858
Less accumulated depreciation for:				
Buildings	\$ 494,793	\$ 51,733	\$ -	\$ 5546,526
Improvements other than buildings	27,146	577	-	27,723
Furniture and equipment	3,229,994	137,190	49,707	3,317,477
Total accumulated depreciation	\$ 3,751,933	\$ 189,500	\$ 49,707	\$ 3,891,726
Total capital assets being depreciated, net	\$ 1,903,226	\$ 52,906	\$ -	\$ 1,956,132
Governmental Activities Capital Assets, Net	\$ 1,934,272	\$ 52,906	\$ -	\$ 1,987,178

	Balance Beginning Of Year	Increases	Decreases	Adjustment	Balance End Of Year
<b>Business type activities:</b>					
Furniture and equipment	\$ 14,122	\$ 21,951	\$ -	\$ 3,185	\$ 39,258
Less accumulated depreciation	7,517	3,271	-	1,498	12,286
Business Type Activities Capital Assets, Net	\$ 6,605	\$ 18,680	\$ -	\$ 1,687	\$ 26,972

Depreciation expense was charged to the following functions:

**Governmental Activities:**

Instruction:

Regular	\$ 86,939
Special	180
Other	189

Support services:

Instructional staff services	10,105
Administration	6,859
Operation and maintenance of plant	10,234
Transportation	74,994

Total Depreciation Expense – Governmental Activities \$ 189,500

**Business Type Activities:**

Food service operations	<u>\$ 3,271</u>
-------------------------	-----------------

(6) **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	\$ 472,062	\$ -	\$ 130,185	\$ 341,877	\$ 132,782
Early retirement	58,483	13,800	44,427	27,856	5,000
Total	\$ 530,545	\$ 13,800	\$ 174,612	\$ 369,733	\$ 137,782

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must have been at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees completed an application, which was required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2005 totaled \$44,722.

General Obligation Bonds Payable

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

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2006	3%	\$ 132,782	\$ 8,464	\$ 141,246
2007	3%	138,332	4,380	142,712
2008	3%	70,763	620	71,383
Total		\$ 341,877	\$ 13,464	\$ 355,341

During the year ended June 30, 2005, the District made principal and interest payments totaling \$142,677 under the agreement.

(7) **Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual 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 \$103,002, \$100,475, and \$101,664, respectively, equal to the required contributions for each year.

**(8) Risk Management**

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$175,918 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Commitments**

The District has entered into a contract totaling \$58,696 for a new 65 passenger school bus, and \$61,356 for new high school lockers.

**Required Supplementary Information**

**Turkey Valley Community School District**

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Funds**

**Required Supplementary Information**

**Year Ended June 30, 2005**

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>
Receipts:		
Local sources	\$ 2,628,113	\$ 157,843
Intermediate sources	43,048	-
State sources	2,356,429	3,742
Federal sources	65,365	75,592
Total Receipts	<u>\$ 5,092,955</u>	<u>\$ 237,177</u>
Disbursements:		
Instruction	\$ 3,178,847	\$ -
Support services	1,415,061	-
Non-instructional programs	2,167	256,035
Other expenditures	383,126	-
Total Disbursements	<u>\$ 4,979,201</u>	<u>\$ 256,035</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 113,754	\$ -18,858
Other financing sources, net	<u>-39,375</u>	<u>39,375</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 74,379	\$ 20,517
Balances beginning of year	<u>714,293</u>	<u>10,738</u>
Balances End of Year	<u>\$ 788,672</u>	<u>\$ 31,255</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts		Final To Actual Variance
		Original	Final	
\$	2,785,956	\$ 2,837,159	\$ 2,837,159	\$ -51,203
	43,048	20,000	20,000	23,048
	2,360,171	2,372,042	2,372,042	-11,871
	140,957	240,000	240,000	-99,043
\$	5,330,132	\$ 5,469,201	\$ 5,469,201	\$ -139,069
<hr/>				
\$	3,178,847	\$ 3,605,705	\$ 3,605,705	\$ 426,858
	1,415,061	1,800,771	1,800,771	385,710
	258,202	273,954	273,954	15,752
	383,126	335,965	388,918	5,792
\$	5,235,236	\$ 6,016,395	\$ 6,069,348	\$ 834,112
<hr/>				
\$	94,896	\$ -547,194	\$ -600,147	\$ 695,043
<hr/>				
	-	-	-	-
<hr/>				
\$	94,896	\$ -547,194	\$ -600,147	\$ 695,043
	725,031	677,520	677,520	47,511
<hr/>				
\$	819,927	\$ 130,326	\$ 77,373	\$ 742,554

**Turkey Valley 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides 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 \$52,953.

**Other Supplementary Information**

## Turkey Valley Community School District

**Combining Balance Sheet  
Non-Major Special Revenue Funds**

**June 30, 2005**

	Debt Service	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>Assets</b>					
Cash and pooled investments	\$ -	\$ 26,478	\$ 87,875	\$ 104,168	\$ 218,521
Receivables:					
Property Tax:					
Delinquent	-	2,162	-	2,192	4,354
Succeeding year	-	100,000	-	134,497	234,497
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 128,640</b>	<b>\$ 87,875</b>	<b>\$ 240,857</b>	<b>\$ 457,372</b>
<b>Liabilities &amp; Fund Equity</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 5,417	\$ -	\$ 5,417
Deferred revenue:					
Succeeding year property tax	-	100,000	-	134,497	234,497
Early retirement benefits	-	4,866	-	-	4,866
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 104,866</b>	<b>\$ 5,417</b>	<b>\$ 134,497</b>	<b>\$ 244,780</b>
Fund Equity:					
Unreserved fund balances	-	23,774	82,458	106,360	212,592
<b>Total Liabilities and Fund Equity</b>	<b>\$ -</b>	<b>\$ 128,640</b>	<b>\$ 87,875</b>	<b>\$ 240,857</b>	<b>\$ 457,372</b>

See accompanying independent auditor's report.

**Turkey Valley Community School District**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Non-Major Special Revenue Funds**

**Year Ended June 30, 2005**

	Debt Service	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>Revenues:</b>					
<b>Local Sources:</b>					
Local tax	\$ -	\$ 109,675	\$ -	\$ 101,211	\$ 210,886
Other	-	16,924	232,261	1,816	251,001
State sources	-	94	-	87	181
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ 126,693</b>	<b>\$ 232,261</b>	<b>\$ 103,114</b>	<b>\$ 462,068</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular instruction	\$ -	\$ 48,071	\$ -	\$ -	\$ 48,071
Other instruction	-	-	232,538	-	232,538
<b>Support Services:</b>					
Student services	-	328	-	-	328
Instructional staff services	-	178	-	-	178
Administration services	-	8,483	-	-	8,483
Operation and maintenance of plant services	-	38,543	-	115,552	154,095
Transportation services	-	17,001	-	15,000	32,001
Non-instructional programs	-	2,167	-	-	2,167
<b>Other Expenditures:</b>					
Facilities acquisition	-	-	-	178	178
<b>Long-Term Debt:</b>					
Principal	130,185	-	-	-	130,185
Interest	12,492	-	-	-	12,492
<b>Total Expenditures</b>	<b>\$ 142,677</b>	<b>\$ 114,771</b>	<b>\$ 232,538</b>	<b>\$ 130,730</b>	<b>\$ 620,716</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ -142,677</b>	<b>\$ 11,922</b>	<b>\$ -277</b>	<b>\$ -27,616</b>	<b>\$ -158,648</b>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	\$ 142,677	\$ -	\$ -	\$ -	\$ 142,677
Operating transfers out	-	-	-	-22,386	-22,386
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 142,677</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -22,386</b>	<b>\$ 120,291</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ 11,922</b>	<b>\$ -277</b>	<b>\$ -50,002</b>	<b>\$ -38,357</b>
<b>Fund balances beginning of year</b>	<b>-</b>	<b>11,852</b>	<b>82,735</b>	<b>156,362</b>	<b>250,949</b>
<b>Fund Balances End of Year</b>	<b>\$ -</b>	<b>\$ 23,774</b>	<b>\$ 82,458</b>	<b>\$ 106,360</b>	<b>\$ 212,592</b>

See accompanying independent auditor's report.

**Turkey Valley Community School District**  
**Schedule of Changes in Special Revenue Fund, Student Activity Accounts**  
**Year Ended June 30, 2005**

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Petty cash	\$ 12,657	\$ 49,311	\$ 49,156	\$ -186	\$ 12,626
General accounts	7,634	867	969	-	7,532
Materials for resale (resale)	16,271	8,355	11,024	-	13,602
Athletics	17,790	102,472	105,498	-	14,764
School music groups (Fine Arts)	3,429	12,221	13,043	-	2,607
School clubs (classes)	21,701	33,447	28,530	-	26,618
Other student activities (clubs)	3,253	25,588	24,318	186	4,709
<b>Total</b>	<b>\$ 82,735</b>	<b>\$ 232,261</b>	<b>\$ 232,538</b>	<b>\$ -</b>	<b>\$ 82,458</b>

**Turkey Valley 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
<b>Revenues:</b>				
<b>Local Sources:</b>				
Local tax	\$ 1,745,603	\$ 1,969,085	\$ 1,740,020	\$ 1,555,754
Tuition	273,768	236,100	218,484	242,241
Other	608,742	239,177	284,587	347,758
Intermediate sources	43,048	18,517	14,959	10,744
State sources	2,356,429	2,278,572	2,411,158	2,394,607
Federal sources	65,365	138,912	124,675	114,132
<b>Total</b>	<b>\$ 5,092,955</b>	<b>\$ 4,880,363</b>	<b>\$ 4,793,883</b>	<b>\$ 4,665,236</b>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 2,116,665	\$ 2,208,594	\$ 2,242,254	\$ 2,365,106
Special instruction	476,850	533,625	570,945	495,608
Other instruction	585,332	370,072	399,333	503,403
<b>Support services:</b>				
Student services	155,344	150,408	149,076	146,238
Instructional staff services	107,817	121,326	139,993	87,625
Administration services	458,538	541,578	495,066	435,806
Operation and maintenance of plant services	476,565	360,838	316,118	363,387
Transportation services	216,797	259,647	251,323	308,541
Non-instructional programs	24,553	769	1,084	-
<b>Other expenditures:</b>				
Facilities acquisition	64,531	460,228	322,024	-
<b>Long-term debt:</b>				
Principal	130,185	116,469	11,025	-
Interest and other charges	12,492	14,731	444	-
AEA flow-through	175,918	179,687	193,510	194,453
<b>Total</b>	<b>\$ 5,001,587</b>	<b>\$ 5,317,972</b>	<b>\$ 5,092,195</b>	<b>\$ 4,900,167</b>

**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**

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  
Turkey Valley Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Turkey Valley 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 my report thereon dated August 29, 2005. I conducted my 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 my audit, I considered Turkey Valley Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect 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. My 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, I believe items I-A-05 and I-B-05 are material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Turkey Valley Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I 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 my audit of the financial statements of the District. Since my 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 Turkey Valley Community School District and other parties to whom Turkey Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Turkey Valley Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge  
Certified Public Accountant

August 29, 2005

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2005

**Part I – Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

- I-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one person has control over each of the following areas for both the General and Activity Funds: cash receipts – collecting, depositing, journalizing, posting and reconciling.

Recommendation – With the limited number of personnel involved in accounting for District activity, an ideal system of segregation of accounting duties and functions cannot be achieved to assure adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. This is not unusual in an organization of your size. Under these circumstances, the most effective controls lie in (1) the administration's and the Board's knowledge of the District's financial operations and (2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transactions. I believe these controls are being effectively utilized in the District and recommend that diligent efforts be made to maintain their effectiveness.

Response – With the number of staff available to this size of District, we will have to continue operating as in the past. We will, however, continue to monitor and keep the Board aware of the District's financial operations.

Conclusion – Response accepted.

- I-B-05 Unrecorded Agency Funds – There are several agency bank accounts which the District has not recorded on its books. These bank accounts are under the School's Federal ID Number.

Recommendation – The District should account for all agency funds that are truly in the District's control. If the funds are not in the District's control, the accounts should be put under a different Federal ID Number.

Response – We will do this.

Conclusion – Response accepted.

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2005

**Part II - Other Findings Related to Statutory Reporting:**

- II-A-05 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- II-B-05 Certified Budget - Disbursements for the year ended June 30, 2005 did not exceed the amounts budgeted.
- II-C-05 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-05 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Robert Huinker, Teacher	Piano Tuning	\$144
John Cuvelier, Board Member	Shares insurance commissions for District's policies with two other area insurance agencies	\$-

In accordance with an Attorney General's opinion dated November 9, 1976, the above transactions do not appear to represent a conflict of interest.

- II-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- II-G-05 Board Minutes - The minutes record was examined and appeared to give a condensed account of business transactions by the Board. No transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-05 Certified Enrollment - The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for September 2004 was overstated. The District's certified enrollment count included 1 non-resident student in line 1 which was also included in line 8 as open enrolled in nonresident students. This resulted in overstating the total actual enrollment in line 7 by 1 student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

- II-I-05 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-05 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and I noted no significant deficiencies in the amounts reported.