

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ventura 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 report dated November 18, 2005, on our consideration of Ventura 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 11 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ventura Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004, (none of which are presented herein) and expressed unqualified opinions on those financial statements. 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

November 18, 2005

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

Ventura Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ending 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 \$3,024,471 to \$3,081,403 in fiscal 2004 to fiscal 2005, while General Fund expenditures increased from \$2,930,511 in fiscal 2004 to \$3,052,267 in fiscal 2005. The District's General Fund balance increased from to \$440,185 in fiscal 2004 to \$469,321 in fiscal 2005, an increase of 6.62%
- The increase in General Fund revenues was attributable to an increase in state and federal revenue.
- The increase expenditures were due primarily to increase in the negotiated salary and benefits. One reason the General Fund balance increased was the negotiated salary and benefits settlement was less than the District's increase in General Fund revenue for fiscal year 2005. As a result, the District did not have to fund a portion of the current year General fund salaries and benefits from the carryover fund balance.

### **USING THIS ANNUAL REPORT**

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

Management 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 Ventura 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 Ventura Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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.

## 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's Internal Service Fund is another type of proprietary fund. The Internal Service Fund is used to account for the District's employee flexible benefit plan.

- 3) 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.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004 (in thousands).

Figure A  
Condensed Statement of Net Assets  
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change June 30, 2004-2005
	June 30,		June 30,		June 30,		
	2005	2004	2005	2004	2005	2004	
Current and other assets	\$3,617.4	\$3,391.8	\$16.3	\$16.3	\$3,633.7	\$3,408.1	6.6%
Capital Assets	\$3,282.0	\$2,763.0	\$12.8	\$14.5	\$3,294.8	\$2,777.5	18.6%
<b>Total Assets</b>	<b>\$6,899.4</b>	<b>\$6,154.8</b>	<b>\$29.0</b>	<b>\$30.8</b>	<b>\$6,928.4</b>	<b>\$6,185.6</b>	<b>12.0%</b>
Long-term Liabilities	\$1,108.3	\$958.5	-	-	\$1,108.3	\$958.5	15.6%
Other Liabilities	\$2,689.1	\$2,571.0	\$1.7	\$1.5	\$2,690.8	\$2,572.5	4.6%
<b>Total Liabilities</b>	<b>\$3,797.3</b>	<b>\$3,529.4</b>	<b>\$1.7</b>	<b>\$1.5</b>	<b>\$3,799.0</b>	<b>\$3,531.0</b>	<b>7.6%</b>
<b>Net Assets:</b>							
Invested in capital assets net of related debt	\$2,228.9	\$1,861.3	\$12.8	\$14.5	\$2,241.7	\$1,875.8	19.5%
Restricted	\$400.3	\$274.2	-	-	\$400.3	\$274.2	46.0%
Unrestricted	\$472.8	\$489.9	\$14.6	\$14.8	\$487.4	\$504.7	-3.4%
<b>Total Net Assets</b>	<b>\$3,102.0</b>	<b>\$2,625.4</b>	<b>\$27.4</b>	<b>\$29.3</b>	<b>\$3,129.4</b>	<b>\$2,654.7</b>	<b>17.9%</b>

The District's total net assets increased by 17.9% or approximately \$474,700 over the prior year. The largest portion of the District's net assets is 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 increased approximately \$126,000 or 46% over the prior year. The increase was primarily a result of capital projects funded by the local option sales tax.

Unrestricted net assets – the part of the net assets that can be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased 3.4% or approximately \$17,000. This decrease in unrestricted net assets was a result of the expenses in General Fund exceeding the increase in General Fund revenue.

Figure B shows the changes in net assets for the years ending June 30, 2005 and 2004.

Figure B

	Change in Net Assets						Percentage Change 2004-2005
	Governmental		Business-type		Total		
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	976,055	963,874	83,953	80,679	1,060,008	1,044,553	1%
Operating grants & contributions	333,533	326,956	46,855	49,420	380,388	376,376	1%
Capital grants & contributions	11,159	4,250	-	-	11,159	4,250	163%
General Revenues:							0%
Property taxes	1,704,764	1,910,869	-	-	1,704,764	1,910,869	-11%
Income Surtax	86,909	82,127	-	-	86,909	82,127	6%
Local option sales tax	290,254	215,878	-	-	290,254	215,878	34%
Unrestricted state grants	456,756	332,084	-	-	456,756	332,084	38%
Unrestricted investment earnings	21,109	18,131	-	-	21,109	18,131	16%
Other revenue	6,704	4,471	-	-	6,704	4,471	50%
<b>Total revenues</b>	<b>3,887,243</b>	<b>3,858,640</b>	<b>130,808</b>	<b>130,099</b>	<b>4,018,051</b>	<b>3,988,739</b>	<b>1%</b>
Expenses:							
Instruction	2,205,439	2,145,078	-	-	2,205,439	2,145,078	3%
Support services	993,671	950,252	-	-	993,671	950,252	5%
Non-instructional programs	9,758	8,988	132,721	127,406	142,479	136,394	4%
Other expenditures	201,718	226,744	-	-	201,718	226,744	-11%
<b>Total expenses</b>	<b>3,410,586</b>	<b>3,331,062</b>	<b>132,721</b>	<b>127,406</b>	<b>3,543,307</b>	<b>3,458,468</b>	<b>2%</b>
<b>Change in net assets before transfers</b>	<b>476,657</b>	<b>527,578</b>	<b>-1,913</b>	<b>2,693</b>	<b>474,744</b>	<b>530,271</b>	<b>-10%</b>
Transfers	-	-	-	-	-	-	0%
<b>CHANGE IN NET ASSETS</b>	<b>476,657</b>	<b>527,578</b>	<b>-1,913</b>	<b>2,693</b>	<b>474,744</b>	<b>530,271</b>	<b>-10%</b>
Net assets beginning of year	2,625,374	2,097,796	29,284	26,591	2,654,658	2,124,387	25%
Net assets end of year	3,102,031	2,625,374	27,371	29,284	3,129,402	2,654,658	18%

Property tax and unrestricted state grants account for 54% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

### Governmental Activities

Revenues from governmental activities were \$3,887,243 and expenses were \$3,410,586. The district was able to balance the budget through matching expenses to available resources.

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

Figure C

**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	2,205,439	2,145,078	978,153	934,525
Support Services	993,671	950,252	993,064	948,451
Non-instructional Programs	9,758	8,988	9,758	8,988
Other Expenses	201,718	226,744	108,864	144,018
<b>TOTAL</b>	<b><u>3,410,586</u></b>	<b><u>3,331,062</u></b>	<b><u>2,089,839</u></b>	<b><u>2,035,982</u></b>

- The cost financed by users of the District's programs was \$976,055.
- Federal and State governments subsidized certain programs with grants and contributions totaling \$333,533.
- The net cost of governmental activities was financed with \$2,081,927 in property and other taxes and \$456,756 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$130,808 and expenses were \$132,721. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ending June 30, 2005, no changes were made in meal prices. The School Nutrition fund did not generate sufficient revenue to pay the expenditures in the fiscal year. Meal prices will be increased for fiscal year 2006.

**INDIVIDUAL FUND ANALYSIS**

As stated previously, Ventura 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 \$852,378, well above last year's ending fund balances of \$745,038. However, the primary reason for the increase in combined fund balances in fiscal 2005 is due to 2005 sales tax revenues that will be spent in future years.

## **Governmental Fund Highlights**

- The District's General Fund financial position improved slightly even though the District experienced decreased in open enrollment into the district as well as the increase of expenditures related to instruction and support services.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased \$14,195 in fiscal 2005 to \$64,403. While revenue remained approximately the same, the District substantially reduced spending from the PPEL fund in order to reserve funds for anticipated capital expenditures in upcoming fiscal years.
- The Capital Projects Fund balance increased due to higher sales tax revenues in fiscal year 2005. The ending fund balance was \$177,631.

## **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$29,284 in fiscal 2004 to \$27,371 in fiscal 2005, representing a decrease of 6.5%. Meal prices remained the same from fiscal 2004 to fiscal 2005 while an increase of 4.2% was incurred in wages and benefits for employees.

## **BUDGETARY HIGHLIGHTS**

The District's receipts were \$188,114 greater than budgeted receipts. Most of this difference is due to sales collections that were more than budgeted.

District disbursements exceeded the budget by \$567,925. Most of the variance was caused by construction costs and debt service costs that were more than anticipated when the budget was prepared in March 2004.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2005, the District had invested \$3,294,751, 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 D) This represents a net increase of 18.6% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statement. Depreciation expense for the year was \$97,983. The majority of this increase is the result of the new transportation facility.

The original cost of the District's capital assets for governmental funds and business type funds was \$5,031,010.

The largest change in capital asset activity during the year occurred in the buildings category. The District's building category totaled \$3,113,107 at June 30, 2005, compared to \$2,577,401 reported June 30, 2004. This significant increase resulted from completion of construction activity financed by the Local Option Sales and Service tax for the transportation facility that replaced a structure built in 1917.

At June 30, 2005 the District had entered into contracts for \$122,000 of electrical and lighting improvements and a \$23,300 demolition project. Construction in progress includes \$39,492 of work that was completed on these contracts at June 30, 2005.

**Figure D**

**Capital Assets (net of depreciation)**

	Governmental		Business-type		Total		Percentage Change 2004-2005
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Land	27,350	27,350	-	-	27,350	27,350	0%
Construction in progress	39,492	117,538	-	-	39,492	117,538	-68%
Buildings	3,113,107	2,577,401	-	-	3,113,107	2,577,401	21%
Improvements	15,688	1,010	-	-	15,688	1,010	1453%
Equipment & Furniture	86,336	39,684	12,778	14,484	99,114	54,168	83%
<b>TOTAL</b>	<b>3,281,973</b>	<b>2,763,038</b>	<b>12,778</b>	<b>14,484</b>	<b>3,294,751</b>	<b>2,777,522</b>	<b>19%</b>

**Long-Term Debt**

At June 30, 2005, the District had \$1,108,260 in general obligation, revenue and other long-term debt outstanding. This represents an increase of 15.6% from last year. (See Figure E).

During fiscal 2005, the District incurred \$525,000 in general obligation revenue bonds against the Local Option Sales and Service Tax revenue for the next 5 fiscal years.

**Figure E  
Outstanding Long-Term Obligations**

	Total School District		Percentage Change 2004-2005
	2005	2004	
	\$	\$	
General Obligation Bonds	490,000	735,000	-33%
Local Option Sales and Services			
Tax Revenue Bonds	450,000	-	0%
Capital Loan Notes	75,000	150,000	-50%
Capital Leases	38,031	16,701	128%
Early Retirement	45,128	47,655	-5%
Compensated Absences	10,101	9,104	11%
	<b>1,108,260</b>	<b>958,460</b>	<b>16%</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 city of Ventura has issued 10 building permits for houses to be constructed in the next fiscal year. This will have a positive impact on the District's total taxable valuation in the future.
- The number of students the District is responsible for educating has remained steady in recent years despite a slight decline in resident student population.
- The District must address facilities needs at the secondary building. This would need to be financed by voter approved general obligation bonds.

## **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 Nancy Watson, District Secretary and Business Manager, Ventura Community School District, 110 South Main, Ventura, IA 50482.

## BASIC FINANCIAL STATEMENTS

## VENTURA COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	627,407	-	627,407
Other	1,029,969	12,730	1,042,699
Receivables:			
Property tax:			
Delinquent	25,088	-	25,088
Succeeding year	1,767,163	-	1,767,163
Accounts	279	23	302
Accrued interest:			
ISCAP	3,812	-	3,812
Due from other governments	163,677	-	163,677
Inventories	-	3,513	3,513
Capital assets, net of accumulated depreciation	3,281,973	12,778	3,294,751
<b>Total assets</b>	<b>6,899,368</b>	<b>29,044</b>	<b>6,928,412</b>
<b>Liabilities</b>			
Accounts payable	30,905	-	30,905
Salaries and benefits payable	251,590	-	251,590
Accrued interest payable	3,982	-	3,982
Deferred revenue:			
Succeeding year property tax	1,767,163	-	1,767,163
Other	-	1,673	1,673
ISCAP warrants payable	625,000	-	625,000
ISCAP accrued interest payable	4,102	-	4,102
ISCAP premium	6,335	-	6,335
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	250,000	-	250,000
Revenue bonds payable	75,000	-	75,000
Capital loan notes payable	75,000	-	75,000
Capital leases	18,635	-	18,635
Early retirement	6,518	-	6,518
Portion due after one year:			
General obligation bonds payable	240,000	-	240,000
Revenue bonds payable	375,000	-	375,000
Capital leases	19,396	-	19,396
Early retirement	38,610	-	38,610
Compensated absences	10,101	-	10,101
<b>Total liabilities</b>	<b>3,797,337</b>	<b>1,673</b>	<b>3,799,010</b>

See notes to financial statements.

## VENTURA COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,228,942	12,778	2,241,720
Restricted for:			
Gifted and talented program	30,780	-	30,780
Iowa early intervention block grant	198	-	198
Physical plant and equipment levy	64,403	-	64,403
Other special revenue purposes	92,689	-	92,689
Local option sales tax capital projects	177,631	-	177,631
Debt service	34,635	-	34,635
Unrestricted	472,753	14,593	487,346
<b>Total net assets</b>	<u>3,102,031</u>	<u>27,371</u>	<u>3,129,402</u>

## VENTURA COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

<b>Functions/Programs</b>	<u>Expenses</u>	<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>
Governmental activities:				
Instruction:				
Regular instruction	1,544,234	637,064	208,762	-
Special instruction	254,582	158,623	37,590	-
Other instruction	406,623	180,368	4,879	-
	<u>2,205,439</u>	<u>976,055</u>	<u>251,231</u>	<u>-</u>
Support services:				
Student services	45,230	-	-	-
Instructional staff services	82,618	-	-	-
Administration services	461,432	-	-	-
Operation and maintenance of plant services	261,631	-	-	-
Transportation services	142,760	-	607	-
	<u>993,671</u>	<u>-</u>	<u>607</u>	<u>-</u>
Non-instructional programs	<u>9,758</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	6,554	-	-	11,159
Long-term debt interest	39,534	-	760	-
AEA flowthrough	80,935	-	80,935	-
Depreciation (unallocated)*	74,695	-	-	-
	<u>201,718</u>	<u>-</u>	<u>81,695</u>	<u>11,159</u>
Total governmental activities	3,410,586	976,055	333,533	11,159
Business type activities:				
Non-instructional programs:				
Food service operations	132,721	83,953	46,855	-
Total	<u>3,543,307</u>	<u>1,060,008</u>	<u>380,388</u>	<u>11,159</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
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.

## VENTURA COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(698,408)	-	(698,408)
(58,369)	-	(58,369)
(221,376)	-	(221,376)
<u>(978,153)</u>	<u>-</u>	<u>(978,153)</u>
(45,230)	-	(45,230)
(82,618)	-	(82,618)
(461,432)	-	(461,432)
(261,631)	-	(261,631)
(142,153)	-	(142,153)
<u>(993,064)</u>	<u>-</u>	<u>(993,064)</u>
<u>(9,758)</u>	<u>-</u>	<u>(9,758)</u>
4,605	-	4,605
(38,774)	-	(38,774)
-	-	-
(74,695)	-	(74,695)
<u>(108,864)</u>	<u>-</u>	<u>(108,864)</u>
(2,089,839)	-	(2,089,839)
<u>-</u>	<u>(1,913)</u>	<u>(1,913)</u>
<u>(2,089,839)</u>	<u>(1,913)</u>	<u>(2,091,752)</u>
1,384,184	-	1,384,184
165,153	-	165,153
155,427	-	155,427
86,909	-	86,909
290,254	-	290,254
456,756	-	456,756
21,109	-	21,109
6,704	-	6,704
<u>2,566,496</u>	<u>-</u>	<u>2,566,496</u>
476,657	(1,913)	474,744
<u>2,625,374</u>	<u>29,284</u>	<u>2,654,658</u>
<u>3,102,031</u>	<u>27,371</u>	<u>3,129,402</u>

## VENTURA COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2005

	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments:					
ISCAP	627,407	-	-	-	627,407
Other	673,214	193,559	-	161,098	1,027,871
Receivables:					
Property tax:					
Delinquent	19,928	2,431	-	2,729	25,088
Succeeding year	1,367,556	164,270	-	235,337	1,767,163
Accounts	-	-	-	279	279
Accrued interest - ISCAP	3,812	-	-	-	3,812
Interfund receivable	1,100	-	150,427	6,946	158,473
Due from other governments	118,367	-	45,310	-	163,677
<b>Total assets</b>	<b>2,811,384</b>	<b>360,260</b>	<b>195,737</b>	<b>406,389</b>	<b>3,773,770</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	8,556	-	18,106	4,243	30,905
Salaries and benefits payable	251,590	-	-	-	251,590
Interfund payable	-	157,373	-	-	157,373
ISCAP warrants payable	625,000	-	-	-	625,000
ISCAP accrued interest payable	4,102	-	-	-	4,102
ISCAP premium	6,335	-	-	-	6,335
Deferred revenue:					
Succeeding year property tax	1,367,556	164,270	-	235,337	1,767,163
Other	78,924	-	-	-	78,924
Total liabilities	2,342,063	321,643	18,106	239,580	2,921,392
Fund balances:					
Reserved for:					
Gifted and talented program	30,780	-	-	-	30,780
Iowa early intervention block grant	198	-	-	-	198
Debt service	-	38,617	-	-	38,617
Unreserved reported in:					
General Fund	438,343	-	-	-	438,343
Special Revenue Funds	-	-	-	166,809	166,809
Capital Projects Fund	-	-	177,631	-	177,631
Total fund balances	469,321	38,617	177,631	166,809	852,378
<b>Total liabilities and fund balances</b>	<b>2,811,384</b>	<b>360,260</b>	<b>195,737</b>	<b>406,389</b>	<b>3,773,770</b>

## VENTURA 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>	852,378
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,281,973
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	78,924
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	(3,982)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	998
Long-term liabilities, including bonds payable, notes payable, capital leases, 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>(1,108,260)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>3,102,031</u></u>

## VENTURA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,443,856	165,153	290,254	185,440	2,084,703
Tuition	744,315	-	-	-	744,315
Other	99,507	760	7,513	159,496	267,276
State sources	698,106	-	-	-	698,106
Federal sources	95,069	-	-	-	95,069
Total revenues	<u>3,080,853</u>	<u>165,913</u>	<u>297,767</u>	<u>344,936</u>	<u>3,889,469</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,515,165	-	-	27,813	1,542,978
Special instruction	254,582	-	-	-	254,582
Other instruction	253,626	-	-	152,997	406,623
	<u>2,023,373</u>	<u>-</u>	<u>-</u>	<u>180,810</u>	<u>2,204,183</u>
Support services:					
Student services	44,645	-	-	585	45,230
Instructional staff services	81,448	-	-	1,170	82,618
Administration services	455,641	-	-	5,791	461,432
Operation and maintenance of plant services	239,856	-	-	30,121	269,977
Transportation services	116,611	-	-	68,448	185,059
	<u>938,201</u>	<u>-</u>	<u>-</u>	<u>106,115</u>	<u>1,044,316</u>
Non-instructional programs	<u>9,758</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,758</u>
Other expenditures:					
Facilities acquisition	-	-	546,978	6,554	553,532
Long-term debt:					
Principal	-	431,888	-	-	431,888
Interest and fiscal charges	-	41,285	-	-	41,285
AEA flowthrough	80,935	-	-	-	80,935
	<u>80,935</u>	<u>473,173</u>	<u>546,978</u>	<u>6,554</u>	<u>1,107,640</u>
Total expenditures	<u>3,052,267</u>	<u>473,173</u>	<u>546,978</u>	<u>293,479</u>	<u>4,365,897</u>

## VENTURA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Excess (deficiency) of revenues over (under) expenditures	28,586	(307,260)	(249,211)	51,457	(476,428)
Other financing sources (uses):					
Proceeds form long-term loans	-	-	-	58,218	58,218
Bonds issued	-	-	525,000	-	525,000
Sales of materials and equipment	550	-	-	-	550
Operating transfers in	-	316,716	-	-	316,716
Operating transfers out	-	-	(196,443)	(120,273)	(316,716)
Total other financing sources (uses)	550	316,716	328,557	(62,055)	583,768
Net change in fund balances	29,136	9,456	79,346	(10,598)	107,340
Fund balances beginning of year	440,185	29,161	98,285	177,407	745,038
Fund balances end of year	469,321	38,617	177,631	166,809	852,378

## VENTURA 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>		107,340
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are 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 year as follows:		
Expenditures for capital assets	614,363	
Depreciation expense	<u>(95,428)</u>	518,935
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.		(2,776)
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.		431,888
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.		1,751
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	2,527	
Compensated absences	<u>(997)</u>	1,530
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		(583,218)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>1,207</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>476,657</u></u>

## VENTURA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2005

	Enterprise Fund	Governmental Activities - Internal Service Fund
	Nonmajor School Nutrition	Service Fund
	\$	\$
<b>Assets</b>		
Cash and cash equivalents	12,730	2,098
Accounts receivable	23	-
Inventories	3,513	-
Capital assets, net of accumulated depreciation	12,778	-
<b>Total assets</b>	<u>29,044</u>	<u>2,098</u>
<b>Liabilities</b>		
Interfund payable	-	1,100
Deferred revenue	1,673	-
<b>Total liabilities</b>	<u>1,673</u>	<u>1,100</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	12,778	-
Unrestricted	14,593	998
<b>Total net assets</b>	<u><u>27,371</u></u>	<u><u>998</u></u>

## VENTURA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Enterprise Fund <u>Nonmajor School Nutrition</u> \$	Governmental Activities - Internal Service Fund <u>                    </u> \$
Operating revenue:		
Local sources:		
Charges for service	83,953	23,792
	<u>                    </u>	<u>                    </u>
Operating expenses:		
Non-instructional programs:		
Salaries	54,703	-
Benefits	7,330	22,585
Supplies	66,258	-
Depreciation	2,555	-
Other	1,875	-
	<u>132,721</u>	<u>22,585</u>
Operating gain (loss)	<u>(48,768)</u>	<u>1,207</u>
Non-operating revenue:		
State sources	1,803	-
Federal sources	45,052	-
Total non-operating revenue	<u>46,855</u>	<u>-</u>
Change in net assets	(1,913)	1,207
Net assets beginning of year	<u>29,284</u>	<u>(209)</u>
Net assets end of year	<u><u>27,371</u></u>	<u><u>998</u></u>

## VENTURA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2005

	Enterprise Fund	Governmental Activities - Internal Service Fund
	Nonmajor School Nutrition	Service Fund
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	84,243	-
Cash received from services provided to other funds	-	23,792
Cash payments to employees for services	(62,146)	(22,585)
Cash payments to suppliers for goods or services	(60,643)	-
Net cash used by operating activities	<u>(38,546)</u>	<u>1,207</u>
Cash flows from non-capital financing activities:		
State grants received	1,803	-
Federal grants received	35,336	-
Net cash provided by non-capital financing activities	<u>37,139</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(849)	-
Cash flows from investing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(2,256)	1,207
Cash and cash equivalents at beginning of year	<u>14,986</u>	<u>891</u>
Cash and cash equivalents at end of year	<u><u>12,730</u></u>	<u><u>2,098</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>		
Operating gain (loss)	(48,768)	1,207
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	9,716	-
Depreciation	2,555	-
Decrease (increase) in inventories	(2,226)	-
Decrease (increase) in accounts receivable	48	-
(Decrease) increase in salaries and benefits payable	(113)	-
(Decrease) increase in deferred revenue	242	-
Net cash used in operating activities	<u>(38,546)</u>	<u>1,207</u>

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

During the year ended June 30, 2005, the District received \$9,716 of federal commodities.

# VENTURA COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2004

### 1. Summary of Significant Accounting Policies

Ventura 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 City of Ventura, Iowa and the predominately agricultural territory in a portion of Cerro Gordo and Hancock 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, Ventura 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 Ventura Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but 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 instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

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

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 employee flexible benefit plan.

#### 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 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	5-20 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 receivable 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 support services and other expenditures functions exceeded the amounts 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.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 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	Internal Service Fund	1,100
Capital Projects Fund	Debt Service Fund	150,427
Nonmajor Physical Plant and Equipment Levy Fund	Debt Service Fund	6,946

The General Fund loaned the Internal Service Fund money for cash flow purposes.

The interfund payables from the Debt Service Fund to the Capital Projects and Physical Plant and Equipment Levy Funds were created when funds were deposited in the wrong bank account.

The loans will be repaid during fiscal year 2006.

### 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	Capital Projects Fund	196,443
Debt Service Fund	Nonmajor: Physical Plant and Equipment Levy Fund	120,273

This transfer moved revenues from the funds 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	61	-	-	-
2004-05B	1/28/05	1/27/06	275,795	3,737	275,000	4,035
2005-06A	6/30/05	6/30/06	351,551	75	350,000	67
Total			<u>627,407</u>	<u>3,812</u>	<u>625,000</u>	<u>4,102</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
\$	\$	\$	\$
-	-	-	-

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. 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:				
Construction in progress	117,593	39,492	117,593	39,492
Land	27,350	-	-	27,350
Total capital assets not being depr.	<u>144,943</u>	<u>39,492</u>	<u>117,593</u>	<u>66,842</u>
Capital assets being depreciated:				
Buildings	3,470,657	608,989	-	4,079,646
Improvements other than buildings	189,365	16,090	-	205,455
Furniture and equipment	648,761	67,385	126,143	590,003
Total capital assets being deprec.	<u>4,308,783</u>	<u>692,464</u>	<u>126,143</u>	<u>4,875,104</u>
Less accumulated depreciation for:				
Buildings	893,256	73,283	-	966,539
Improvements other than buildings	188,355	1,412	-	189,767
Furniture and equipment	609,077	20,733	126,143	503,667
Total accumulated depreciation	<u>1,690,688</u>	<u>95,428</u>	<u>126,143</u>	<u>1,659,973</u>
Total capital assets being depreciated, net	<u>2,618,095</u>	<u>597,036</u>	<u>-</u>	<u>3,215,131</u>
Governmental activities capital assets, net	<u>2,763,038</u>	<u>636,528</u>	<u>117,593</u>	<u>3,281,973</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	88,215	849	-	89,064
Less accumulated depreciation	<u>73,731</u>	<u>2,555</u>	<u>-</u>	<u>76,286</u>
Business type activities capital assets, net	<u>14,484</u>	<u>(1,706)</u>	<u>-</u>	<u>12,778</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	3,993
Support Services:	
Operation and maintenance of plant services	821
Transportation	<u>15,919</u>
	<u>20,733</u>
Unallocated depreciation	<u>74,695</u>
Total depreciation expense – governmental activities	<u>95,428</u>
Business type activities:	
Food services	<u>2,555</u>

## 7. 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	735,000	-	245,000	490,000	250,000
Revenue bonds	-	525,000	75,000	450,000	75,000
Capital loan notes	150,000	-	75,000	75,000	75,000
Capital leases	16,701	58,218	36,888	38,031	18,635
Early retirement	47,655	7,505	10,032	45,128	6,518
Compensated absences	9,104	997	-	10,101	-
Total	<u>958,460</u>	<u>591,720</u>	<u>441,920</u>	<u>1,108,260</u>	<u>425,153</u>

### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be between the ages fifty-five and sixty-two and must have completed fifteen years of service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives include the payment of up to \$300 per month for single health insurance coverage. Early retirement expenditures for the year ended June 30, 2005 totaled \$10,032.

### General Obligation Bonds Payable

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

<u>Year Ending June 30,</u>	<u>Bond Refunding Issue of March, 2004</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2006	1.70	250,000	9,050	259,050
2007	2.00	240,000	4,800	244,800
		<u>490,000</u>	<u>13,850</u>	<u>503,850</u>

### Revenue Bonds Payable

Details of the District's June 30, 2005 local option sales and services tax revenue bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Bond Issue of August 2004</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2006	4.00	75,000	18,000	93,000
2007	4.00	125,000	15,000	140,000
2008	4.00	125,000	10,000	135,000
2009	4.00	125,000	5,000	130,000
		<u>450,000</u>	<u>48,000</u>	<u>498,000</u>

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services revenue bonds include the following provisions:

- The bonds will only be redeemed from the future earnings of the local option sales tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- Bonds may be called for redemption by the issuer and paid before maturity on any date, in whole or in part. A 30-day notice of redemption is required.
- Proceeds from the local option sales and services tax shall be placed in a revenue fund. The trustee will make monthly transfers from the revenue account to the sinking fund. The monthly deposit to the sinking fund shall be the equal monthly amount necessary to pay in full the installment of interest coming due on the next interest payment date plus the equal monthly amount necessary to pay in full the installment of principal coming due on the next succeeding principal payment date. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund at the end of a month may be used for any lawful purpose for which the local option sales tax may be used or may be used to redeem the bonds in accordance with their terms. The revenue

fund is part of the Capital Projects Fund and the sinking fund is part of the Debt Service Fund.

### Capital Loan Notes

The District issued \$535,000 of capital loan notes during the year ended June 30, 1997. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	%	\$	\$	\$
2006	4.90	<u>75,000</u>	<u>3,675</u>	<u>78,675</u>

During the year ended June 30, 2005 the District made principal and interest payments totaling \$82,312 under the note agreements.

### Capital Leases

The District has leased a bus under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2005.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		\$
	2006	20,187
	2007	<u>20,187</u>
Total Lease Payments		40,374
Less Amount Representing Interest		<u>2,343</u>
Present Value of Minimum Lease Payments		<u>38,031</u>

## **8. 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 \$101,848, \$97,128, and \$91,249 respectively, equal to the required contributions for each year.

## **9. Risk Management**

Ventura 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.

#### **10. 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 \$80,935 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.

#### **11. Construction Commitment**

The District has entered into contracts totaling \$121,961 for electrical and lighting improvements and demolition work. As of June 30, 2005 costs of \$39,493 had been incurred against the contracts. The balances remaining at June 30, 2005 will be paid as work on the project progresses.

#### **12. Related Party Transaction**

A District board member serves as the insurance agent for the District's property, liability and workmen's compensation insurance. The District paid premiums of \$46,835 during the year ended June 30, 2005.

REQUIRED SUPPLEMENTARY INFORMATION

VENTURA 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 Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	3,070,086	84,243	3,154,329	2,984,848	2,984,848	169,481
State sources	700,450	1,803	702,253	704,728	704,728	(2,475)
Federal sources	94,654	45,052	139,706	118,598	118,598	21,108
Total receipts	<u>3,865,190</u>	<u>131,098</u>	<u>3,996,288</u>	<u>3,808,174</u>	<u>3,808,174</u>	<u>188,114</u>
Disbursements:						
Instruction	2,198,300	-	2,198,300	2,237,000	2,237,000	38,700
Support services	1,052,449	-	1,052,449	937,200	937,200	(115,249)
Non-instructional programs	9,758	133,354	143,112	160,000	160,000	16,888
Other expenditures	1,198,240	-	1,198,240	689,976	689,976	(508,264)
Total disbursements	<u>4,458,747</u>	<u>133,354</u>	<u>4,592,101</u>	<u>4,024,176</u>	<u>4,024,176</u>	<u>(567,925)</u>
Excess (deficiency) of receipts over (under) disbursements	(593,557)	(2,256)	(595,813)	(216,002)	(216,002)	(379,811)
Other financing sources (uses) net	<u>583,771</u>	-	<u>583,771</u>	-	-	<u>583,771</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	(9,786)	(2,256)	(12,042)	(216,002)	(216,002)	203,960
Balance beginning of year	<u>1,037,657</u>	<u>14,986</u>	<u>1,052,643</u>	<u>735,978</u>	<u>735,978</u>	<u>316,665</u>
Balance end of year	<u><u>1,027,871</u></u>	<u><u>12,730</u></u>	<u><u>1,040,601</u></u>	<u><u>519,976</u></u>	<u><u>519,976</u></u>	<u><u>520,625</u></u>

VENTURA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
	\$	\$	\$
Revenues	3,865,190	24,279	3,889,469
Expenditures	4,458,747	(92,850)	4,365,897
Net	(593,557)	117,129	(476,428)
Other financing sources (uses) net	583,771	(3)	583,768
Beginning fund balances	1,037,657	(292,619)	745,038
Ending fund balances	<u>1,027,871</u>	<u>(175,493)</u>	<u>852,378</u>
	<u>Proprietary Fund</u>		
	<u>Enterprise</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Accrual Basis</u>
	\$	\$	\$
Revenues	131,098	(290)	130,808
Expenditures	133,354	(633)	132,721
Net	(2,256)	343	(1,913)
Beginning fund balances	14,986	14,298	29,284
Ending fund balances	<u>12,730</u>	<u>14,641</u>	<u>27,371</u>

## VENTURA COMMUNITY SCHOOL DISTRICT

### Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

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 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. The District did not amend its budget during the year.

During the year ended June 30, 2005, disbursements in the support services and other expenditures functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

## VENTURA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2005

Assets	Special Revenue Funds			Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	
	\$	\$	\$	
Cash and pooled investments	9,275	96,653	55,170	161,098
Receivables:				
Property tax:				
Delinquent	442	-	2,287	2,729
Succeeding year	80,000	-	155,337	235,337
Accounts	-	279	-	279
Interfund receivable	-	-	6,946	6,946
<b>Total assets</b>	<b>89,717</b>	<b>96,932</b>	<b>219,740</b>	<b>406,389</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	-	4,243	-	4,243
Deferred revenue:				
Succeeding year property tax	80,000	-	155,337	235,337
Total liabilities	80,000	4,243	155,337	239,580
Fund balances:				
Unreserved fund balance reported in:				
Special Revenue Funds	9,717	92,689	64,403	166,809
<b>Total liabilities and fund balances</b>	<b>89,717</b>	<b>96,932</b>	<b>219,740</b>	<b>406,389</b>

## VENTURA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	30,013	-	155,427	185,440
Other	-	159,189	307	159,496
State sources	-	-	-	-
Total revenues	<u>30,013</u>	<u>159,189</u>	<u>155,734</u>	<u>344,936</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	27,813	-	-	27,813
Other instruction	-	152,997	-	152,997
Support services:				
Student services	585	-	-	585
Instructional staff services	1,170	-	-	1,170
Administration services	2,145	-	3,646	5,791
Operation and maintenance of plant services	19,055	-	11,066	30,121
Transportation services	10,230	-	58,218	68,448
Other expenditures:				
Facilities acquisition	-	-	6,554	6,554
Total expenditures	<u>60,998</u>	<u>152,997</u>	<u>79,484</u>	<u>293,479</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(30,985)</u>	<u>6,192</u>	<u>76,250</u>	<u>51,457</u>
Other financing sources (uses):				
Proceeds from long-term loans	-	-	58,218	58,218
Operating transfers out	-	-	(120,273)	(120,273)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(62,055)</u>	<u>(62,055)</u>
Net change in fund balances	(30,985)	6,192	14,195	(10,598)
Fund balances beginning of year	<u>40,702</u>	<u>86,497</u>	<u>50,208</u>	<u>177,407</u>
Fund balances end of year	<u>9,717</u>	<u>92,689</u>	<u>64,403</u>	<u>166,809</u>

## VENTURA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
Annual	454	6,994	5,445	-	2,003
Art club	285	687	311	-	661
Athletic fund	30,082	39,582	39,310	-	30,354
Athletic resale	3,163	17,695	17,176	-	3,682
Band	15,661	20,850	24,820	-	11,691
Band resale	63	829	1,662	-	(770)
Band/Vocal trip	-	15,440	9,589	-	5,851
Candy sales	4,695	3,043	2,001	-	5,737
Chili supper	3,296	-	-	-	3,296
Class of 2005	2,340	743	3,083	-	-
Class of 2006	(171)	15,187	11,926	-	3,090
Class of 2008	400	-	-	-	400
Donations	7,189	-	-	(7,189)	-
Elementary donations	-	12,066	8,953	6,108	9,221
High school donations	-	651	327	1,081	1,405
Drill team	277	-	-	-	277
Dunk tank	106	-	-	-	106
FFA	1,308	19,112	20,069	-	351
Honor society	981	9	100	-	890
Little League	1,391	870	749	-	1,512
New Horizons	180	15	-	-	195
Pep club	931	265	92	-	1,104
Science club	1,563	-	-	-	1,563
SES	458	-	-	-	458
Spanish club	746	-	-	-	746
Stage fund-drama	1,369	1,864	2,287	-	946
Student senate	1,446	1,408	1,122	-	1,732
Technology club	-	865	27	-	838
Interest	8,579	735	-	-	9,314
Beginning accruals	(295)	-	(295)	-	-
Ending accruals	-	279	4,243	-	(3,964)
<b>Total</b>	<b>86,497</b>	<b>159,189</b>	<b>152,997</b>	<b>-</b>	<b>92,689</b>

## VENTURA 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	2,084,703	2,206,522	1,903,807	1,813,069
Tuition	744,315	728,356	610,694	566,904
Other	267,276	262,933	239,524	183,121
State sources	698,106	572,729	610,517	651,633
Federal sources	95,069	82,396	78,724	35,441
Total revenues	<u>3,889,469</u>	<u>3,852,936</u>	<u>3,443,266</u>	<u>3,250,168</u>
Expenditures:				
Instruction:				
Regular instruction	1,542,978	1,505,131	1,435,551	1,275,811
Special instruction	254,582	222,517	238,305	208,434
Other instruction	406,623	376,163	332,391	342,040
Support services:				
Student services	45,230	46,734	36,859	35,046
Instructional staff services	82,618	121,566	115,816	87,437
Administration services	461,432	409,982	375,628	322,801
Operation and maintenances of plant services	269,977	243,204	261,546	219,679
Transportation services	185,059	102,768	117,658	125,753
Non-instructional programs	9,758	8,988	424	1,137
Other expenditures:				
Facilities acquisition	553,532	142,524	41,414	27,566
Long-term debt:				
Principal	431,888	300,711	270,000	285,000
Interest and other charges	41,285	58,204	68,008	80,058
AEA flowthrough	80,935	77,919	83,379	83,860
Total expenditures	<u>4,365,897</u>	<u>3,616,411</u>	<u>3,376,979</u>	<u>3,094,622</u>

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  
Ventura 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 Ventura 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 November 18, 2005. 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 Ventura 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 items 05-I-A, 05-I-B, 05-I-C, 05-I-D, 05-I-E and 05-I-F are material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ventura 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 Ventura Community School District and other parties to whom Ventura 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 Ventura 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

November 18, 2005

VENTURA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ending 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 investigate methods to increase monitoring procedures 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.

05-I-B Supporting Documentation: We noted two credit card payments from the General Fund totaling \$1,287 that did not have detailed supporting documentation.

Recommendation: All payments, from all funds, should be supported by invoices, receipts, entry forms, contracts, or other detailed documentation.

District Response: We will review our policies and make any necessary adjustments.

Conclusion: Response accepted.

05-I-C Bank Reconciliations: One of the main internal controls over the cash balances reported in the accounting records is the preparation of a monthly reconciliation of the bank statements to the cash balances in the financial records. The cash balances in the computer financial accounting records were not reconciled to the bank monthly for the Capital Projects, Debt Service, and Physical Plant and Equipment Levy Funds.

Recommendation: Bank reconciliations should be prepared monthly. Any variances between the bank reconciliation and the cash balances in the financial statements should be investigated and resolved.

District Response: Monthly bank reconciliations will be prepared.

Conclusion: Response accepted.

VENTURA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ending June 30, 2005

Part I: Findings Related to the Financial Statements (continued):

05-I-D Cash Proceeds from Concessions: Occasionally cash from concession sales was used to purchase inventory for the concession stand. This practice weakens the controls over cash proceeds and causes concession revenues and expenses to be understated.

Recommendation: All cash proceeds from concession stand sales should be counted by two people immediately after the event and turned into the business office. All purchases of inventory and supplies for the concession stand should be paid for with a school check.

District Response: We will change our procedures.

Conclusion: Response accepted.

05-I-E Athletic Gate Admissions: District policy requires the use of a ticket system for all athletic or other events that charge an admission fee. However, we noted that the ticket system policy was often ignored.

Recommendation: The District should use a ticket system for all events that charge an admission. A pre-numbered ticket should be issued to each paying spectator. At the end of the event two people should count the cash and reconcile the amount collected to the number of tickets sold. The cash should then be taken to the bank's night depository, or locked securely in the school. The actual bank deposit should be verified by comparing it to the cash reconciliation sheet, which was prepared immediately after the event.

District Response: We will review our current procedures and evaluate the benefits of using a ticket system.

Conclusion: Response accepted.

05-I-F Federal and State Grants: The District receives various state and federal grants each year. Some of the grants are received annually and others are for only a year or two. However, all of these grants require that the District's accounting records track how each grant was spent and require that any grant expenditure reporting to state or federal officials must match the District's accounting records. We noted that often the accounting department was unaware of certain grant expenditures.

Recommendation: Administrators and other employees responsible for grant administration and the accounting department must work together to ensure that all grant expenses are properly reported in the District's accounting records.

District Response: We will improve our financial reporting for grant expenditures.

Conclusion: Response accepted.

VENTURA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ending June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

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

05-II-B Certified Budget: Disbursements for the year ended June 30, 2005, exceeded the amounts budgeted in the support services and other expenditures functional areas.

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 will amend future budgets before disbursements exceed the budgeted amounts.

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: 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>
		\$
Debra Cash, school board member, bank officer, and insurance sales	District insurance policy	46,835

We noted no specific conflicts of interest with the board member being a bank officer, however the District should be aware of the potential for conflicts of interest when dealing with banking issues and when approving contracts with suppliers and service providers.

The transaction with a board member who is also the District's insurance agent appears to represent a conflict of interest since the dollar amount was more than \$2,500 and bids were not taken.

Recommendation: The District should consult with its attorney about these issues before doing any business with board members.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

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.

VENTURA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ending June 30, 2005

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

05-II-G Board Minutes: Except as explained in comment 05-II-K, we noted no transactions requiring Board approval that had not been approved by the Board.

05-II-H Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education on Line 1 of the Certified Enrollment Certification Form for September 2004, was overstated by twelve students and the calculation for supplemental weighting on line twelve included three open enrollment in students.

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

District Response: We will contact these departments.

Conclusion: Response accepted.

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): The CAR was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

05-II-K Internal Service Fund Expenditure Procedures: All public funds are the legal responsibility of the board, board secretary and board treasurer. All public funds have the same legal requirements for accounting, reporting, auditing and allowing, dual signatures, publishing and investing. We noted that the Internal Service Fund was not following the statutory requirements for board approval prior to disbursement, publication of bills paid and dual signatures by board secretary and board president on checks.

Recommendation: The District should implement procedures to ensure compliance with statutory requirements for disbursements in the Internal Service Fund.

District Response: The District will pursue the auditor's recommendation.

Conclusion: Response accepted.

05-II-L Allocation of Interest: We noted that interest from a pooled bank account is not being allocated to the Management Fund.

Recommendation: The District should allocate interest revenue to each fund within a pooled bank account.

District Response: We will review our procedures and make any necessary adjustments.

Conclusion: Response accepted.

VENTURA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ending June 30, 2005

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

05-II-M Public Hearing: The Code of Iowa requires that schools hold a public hearing for all capital improvements with a cost exceeding \$25,000. We noted that the Board approved roof and remodeling projects without holding a public hearing.

Recommendation: The District should hold public hearings for all capital projects with cost in excess of \$25,000.

District Response: We will do this in the future.

Conclusion: Response accepted.

05-II-N Home School Assistance Program Expenditures: We reviewed expenditures of State monies received for the home school assistance program. We noted one \$33 of payment for school supplies made from the District directly to parents.

Recommendation: The District should not be making payments to parents. The District may purchase education supplies for the home school assistance program directly from the vendors. Any supplies purchased for the home school program must be the type of supplies that the District could purchase for use in the public school.

District Response: We are no longer reimbursing parents for supplies. We will monitor the types of supplies that are purchased for the home school assistance program.

Conclusion: Response accepted.

05-II-O Physical Plant and Equipment Levy Fund (PPEL): The PPEL Fund may be used to purchase, construct repair or remodel buildings; improve grounds; and purchase equipment with a unit cost exceeding \$500. Routine maintenance expenses should be paid from the General Fund. We noted that expenditures from the PPEL Fund included monthly elevator inspection fees totaling \$1,691 for the year and \$300 for mowing. These expenses do not appear to be allowable from the PPEL Fund

Recommendation: The District should review the types of expenditures allowable from the PPEL Fund.

District Response: We will monitor expenditures from this fund.

Conclusion: Response accepted.

05-II-P Student Activity Fund Accounts: The Student Activity Fund is to be used to account for the District's extracurricular student activity program. Each account within the Student Activity Fund should be associated with a specific student activity. We noted accounts in the Student Activity Fund for Elementary and High School Donations.

Recommendation: These accounts should be eliminated. Any donations for student activities should be receipted to the specific student activity. Any donations for other purposes should be recorded in the General Fund.

VENTURA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ending June 30, 2005

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

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.

05-II-Q Deficit Balances: The Student Activity Fund has one account with a deficit balance at June 30, 2005.

Recommendation: The District should continue to monitor this account and investigate alternatives to eliminate the deficit.

District Response: We are working on ways to eliminate the deficit.

Conclusion: Response accepted.