

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL  
DISTRICT

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

June 30, 2006

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eldora-New Providence Community School District, Eldora, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eldora-New Providence Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated August 8, 2006, on our consideration of Eldora-New Providence Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 36 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eldora-New Providence Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005, (none of which are presented herein). For 2005 and 2004 we issued unqualified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information and we did not issue an opinion on the discretely presented component unit. We expressed an unqualified opinion on the financial statements for 2003. Other 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

August 8, 2006

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Eldora-New Providence Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2006 Financial Highlights**

- General Fund revenues increased from \$5,165,892 in fiscal 2005 to \$5,642,851 in fiscal 2006, while General Fund expenditures also increased from \$5,450,211 in fiscal 2005 to \$5,694,465 in fiscal 2006. The District's General Fund balance decreased from (\$249,322) in fiscal 2005 to (\$325,936) in fiscal 2006.
- The increase in General Fund revenues was attributable to higher property tax revenues in 2006. The 2005 property tax levy had been reduced to allow the use of a \$165,000 carry over balance from 2004. The District also had a very slight increase in certified enrollment for 2006.

### **USING THIS ANNUAL REPORT**

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Eldora-New Providence Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

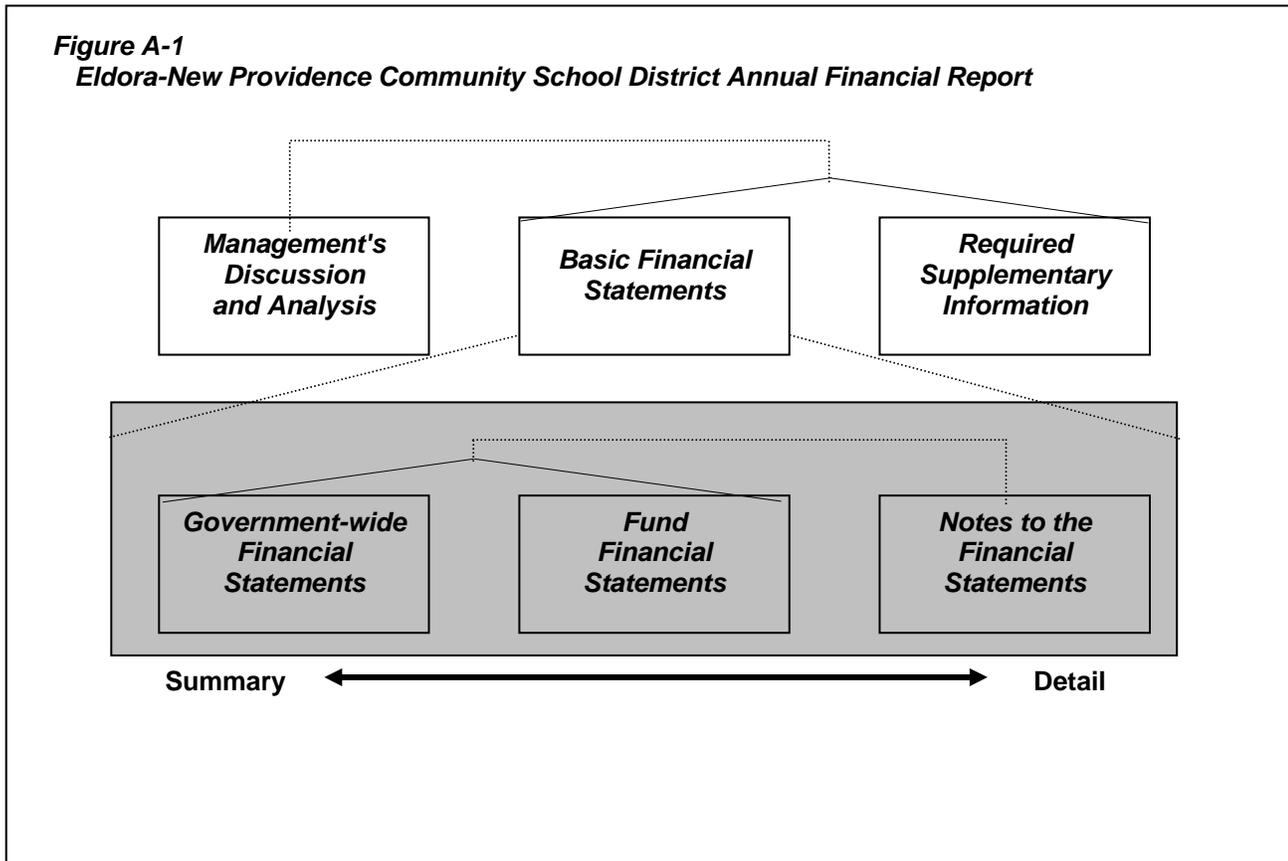


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has two kinds of funds:

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

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

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

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

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

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

## Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2006	2005	2006	2005	2006	2005	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,111,540	4,492,350	19,085	4,820	5,130,625	4,497,170	14.1
Capital assets	5,299,224	5,504,072	11,277	13,908	5,310,501	5,517,980	-3.8
<b>Total assets</b>	<b>10,410,764</b>	<b>9,996,422</b>	<b>30,362</b>	<b>18,728</b>	<b>10,441,126</b>	<b>10,015,150</b>	<b>4.3</b>
Long-term liabilities	2,428,753	2,848,311			2,428,753	2,848,311	-14.7
Other liabilities	5,001,241	4,445,287	3,174	2,761	5,004,415	4,448,048	12.5
<b>Total liabilities</b>	<b>7,429,994</b>	<b>7,293,598</b>	<b>3,174</b>	<b>2,761</b>	<b>7,433,168</b>	<b>7,296,359</b>	<b>1.9</b>
Net Assets:							
Invested in capital assets, net of related debt	3,389,224	3,199,072	11,277	13,908	3,400,501	3,212,980	5.8
Restricted	145,465	101,863			145,465	101,863	42.8
Unrestricted	(553,919)	(598,111)	15,911	2,059	(538,008)	(596,052)	9.7
<b>TOTAL NET ASSETS</b>	<b>2,980,770</b>	<b>2,702,824</b>	<b>27,188</b>	<b>15,967</b>	<b>3,007,958</b>	<b>2,718,791</b>	<b>10.6</b>

The District's total net assets increased by approximately \$289,000 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$43,602 or 42% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$58,044, or 10%. The district has levied a \$200,000 cash levy to help improve net assets.

Figure A-4 shows the change in net assets for the years ended June 30, 2006 and June 30, 2005.

Figure A-4

	Change in Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	
Revenues							
Program Revenues:							
Charges for services	636,876	718,388	140,101	141,776	776,977	860,164	-9.7
Operating grants & contributions	803,302	682,151	138,064	119,437	941,366	801,588	17.4
Capital grants & contributions							
General Revenues:							
Property taxes	1,896,194	1,756,146			1,896,194	1,756,146	7.9
Income Surtax	153,523	157,854			153,523	157,854	-2.7
Local option sales tax	385,251	318,172			385,251	318,172	21.1
Unrestricted state grants	2,553,382	2,475,044			2,553,382	2,475,044	3.2
Unrestricted investment earnings	76,963	19,568			76,963	19,568	293.3
Other revenue	3,567	5,176			3,567	5,176	-31.1
<b>Total Revenues</b>	<b>6,509,058</b>	<b>6,132,499</b>	<b>278,165</b>	<b>261,213</b>	<b>6,787,223</b>	<b>6,393,712</b>	<b>6.2</b>
Expenses:							
Instruction	3,960,194	4,100,178			3,960,194	4,100,178	-3.4
Support services	1,806,696	1,556,718			1,806,696	1,556,718	16.1
Non-instructional programs	0	2,782	266,944	274,531	266,944	277,313	-3.7
Other expenditures	464,222	446,097			464,222	446,097	4.1
<b>Total expenses</b>	<b>6,231,112</b>	<b>6,105,775</b>	<b>266,944</b>	<b>274,531</b>	<b>6,498,056</b>	<b>6,380,306</b>	<b>1.8</b>
<b>Change in net assets before Transfers</b>	277,946	26,724	11,221	(13,318)	289,167	13,406	
Transfers		(1,200)		1,200			
<b>CHANGE IN NET ASSETS</b>	277,946	25,524	11,221	(12,118)	289,167	13,406	
Net assets beginning of year	2,702,824	2,677,300	15,967	28,085	2,718,791	2,705,385	.5
Net assets end of year	2,980,770	2,702,824	27,188	15,967	3,007,958	2,718,791	10.6

Property tax, income surtaxes and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$6,509,058 and expenses were \$6,231,112. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses. The table shows each activity's net cost (total cost, less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-5

**Total and Net Cost of Governmental Activities**

	<b>Total Cost of Services 2006</b>	<b>Total Cost of Services 2005</b>	<b>Net Cost of Services 2006</b>	<b>Net Cost of Services 2005</b>
	\$	\$	\$	\$
Instruction	3,960,194	4,100,178	2,729,696	2,902,295
Support Services	1,806,696	1,556,718	1,794,731	1,546,052
Non-instructional Programs	0	2,782	0	2,782
Other Expenses	464,222	446,097	266,507	254,107
<b>TOTAL</b>	<b>6,231,112</b>	<b>6,105,775</b>	<b>4,790,934</b>	<b>4,705,236</b>

- The cost financed by users of the District's programs was \$636,876. These revenues primarily consist of tuition charged for open enrollment and special education, and revenues from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$803,302.
- The \$4,790,934 total net cost of services was financed with property and other local taxes and unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$278,165 and expenses were \$266,944. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

**INDIVIDUAL FUND ANALYSIS**

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

**Governmental Fund Highlights**

- The General Fund had a deficiency in revenues over expenditures of \$76,614 causing the balance to decrease from \$(249,322) to \$(325,936).
- The Capital Projects Fund balance shows a deficit of \$101,583 due to the fact the Capital Projects Fund owes the General Fund \$150,000 for previous year note payments that were made from the General Fund, but now are reclassified as Capital Projects Fund payments.

**Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$15,967 at June 30, 2005 to \$27,188 at June 30, 2006, representing an increase of approximately 70%. For fiscal 2006, the District reduced full time food service worker's hours ½ hour per day resulting in approximately \$5,600 in savings and increased school meal prices.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Eldora-New Providence Community School District amended its annual budget by \$146,045 one time to reflect additional expenditures in the total support services function, however, expenditures exceeded the amended amount by \$34,103.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2006, the District had invested \$5,310,501, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 4% from last year. Depreciation expense for the year was \$317,758. The District spent approximately \$110,000 to acquire computers, software, a hot water heater and a mower. More detailed information about the District's capital assets is presented in Note 7 to the financial statements.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2004-2005
	2006	2005	2006	2005	2006	2005	
	\$	\$	\$	\$	\$	\$	
Land	235,570	235,570			235,570	235,570	0
Buildings	3,934,112	4,062,443			3,934,112	4,062,443	-3.2
Improvements	150,065	161,000			150,065	161,000	-6.8
Equipment & Furniture	979,477	1,045,059	11,277	13,908	990,754	1,058,967	-6.4
<b>TOTAL</b>	<b>5,299,224</b>	<b>5,504,072</b>	<b>11,277</b>	<b>13,908</b>	<b>5,310,501</b>	<b>5,517,980</b>	<b>-3.8</b>

### Long-Term Debt

At June 30, 2006, the District had \$2,428,753 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 15% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 8 to the financial statements.

The master contract with the teachers includes a provision that allows teachers with 15 years of service to the District to be paid for up to 105 days of unused sick leave when employment with the District ends. This creates an extra long-term liability of over \$300,000 to the district.

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

	<b>Total School District</b>		<b>Percentage</b>
	<b>2006</b>	<b>2005</b>	<b>Change</b>
			<b>2005-2006</b>
	\$	\$	
General Obligation Bonds	1,625,000	1,935,000	-16.0
Energy management notes	285,000	370,000	-23.0
Early Retirement	212,006	230,655	-8.1
Compensated Absences	306,747	312,656	-1.9
<b>Total</b>	<b>2,428,753</b>	<b>2,848,311</b>	<b>-14.7</b>

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

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

- School financing is highly dependent upon student enrollment. The District's October 2006 certified enrollment showed an increase of 34 students. This increase in enrollment will increase the District's funding for fiscal year 2008.
- The District experienced a slight increase in health insurance premiums for the 2007 Fiscal year.
- The district imposed a cash levy of \$200,000 for fiscal year 2007 to help reduce the general fund balance deficit.
- The district will be begin managing a child care facility for fiscal year 2007 which could cause expenditures to be higher than anticipated due to start up costs.

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

## BASIC FINANCIAL STATEMENTS

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total	Component Unit Eldora-New Providence School Foundation
	\$	\$	\$	\$
<b>Assets</b>				
Cash and cash equivalents:				
ISCAP	2,114,323	-	2,114,323	-
Other	416,315	14,257	430,572	153,599
Receivables:				
Property tax:				
Delinquent	28,443	-	28,443	-
Succeeding year	2,268,331	-	2,268,331	-
Accounts	1,333	29	1,362	-
Accrued interest ISCAP	18,138	-	18,138	-
Due from other governments	258,679	-	258,679	-
Inventories	5,978	4,799	10,777	-
Capital assets, net of accumulated depreciation	5,299,224	11,277	5,310,501	-
<b>Total assets</b>	<b>10,410,764</b>	<b>30,362</b>	<b>10,441,126</b>	<b>153,599</b>
<b>Liabilities</b>				
Accounts payable	44,560	-	44,560	-
Salaries and benefits payable	536,494	-	536,494	-
Accrued interest payable	6,589	-	6,589	-
Deferred revenue:				
Succeeding year property tax	2,268,331	-	2,268,331	-
Other	-	3,174	3,174	-
ISCAP warrants payable	2,113,000	-	2,113,000	-
ISCAP accrued interest payable	17,379	-	17,379	-
ISCAP premium	14,888	-	14,888	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	330,000	-	330,000	-
Energy management notes payable	85,000	-	85,000	-
Termination benefits	53,884	-	53,884	-
Compensated absences	23,128	-	23,128	-
Portion due after one year:				
General obligation bonds payable	1,295,000	-	1,295,000	-
Energy management notes payable	200,000	-	200,000	-
Termination benefits	158,122	-	158,122	-
Compensated absences	283,619	-	283,619	-
<b>Total liabilities</b>	<b>7,429,994</b>	<b>3,174</b>	<b>7,433,168</b>	<b>-</b>

See notes to financial statements.

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total	Component Unit Eldora-New Providence School Foundation
	\$	\$	\$	\$
<b>Net assets</b>				
Invested in capital assets, net of related debt	3,389,224	11,277	3,400,501	-
Restricted for:				
Phase III	13,287	-	13,287	-
Physical plant and equipment levy	1,898	-	1,898	-
Other special revenue purposes	128,612	-	128,612	-
Debt service	1,668	-	1,668	-
Unrestricted	<u>(553,919)</u>	<u>15,911</u>	<u>(538,008)</u>	<u>153,599</u>
<b>Total net assets</b>	<u><u>2,980,770</u></u>	<u><u>27,188</u></u>	<u><u>3,007,958</u></u>	<u><u>153,599</u></u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
<b>Governmental activities:</b>				
<b>Instruction:</b>				
Regular instruction	2,355,747	239,361	395,247	-
Special instruction	911,520	228,870	41,286	-
Other instruction	692,927	160,485	165,249	-
	<u>3,960,194</u>	<u>628,716</u>	<u>601,782</u>	<u>-</u>
<b>Support services:</b>				
Student services	287,516	-	-	-
Instructional staff services	240,418	-	-	-
Administration services	555,192	-	-	-
Operation and maintenance of plant services	533,068	660	-	-
Transportation services	190,502	7,500	3,805	-
	<u>1,806,696</u>	<u>8,160</u>	<u>3,805</u>	<u>-</u>
<b>Other expenditures:</b>				
Facilities acquisition	23,998	-	-	-
Long-term debt interest	94,676	-	358	-
AEA flowthrough	197,357	-	197,357	-
Depreciation (unallocated)*	148,191	-	-	-
	<u>464,222</u>	<u>-</u>	<u>197,715</u>	<u>-</u>
<b>Total governmental activities</b>	<b>6,231,112</b>	<b>636,876</b>	<b>803,302</b>	<b>-</b>
<b>Business type activities:</b>				
<b>Non-instructional programs:</b>				
Food service operations	266,944	140,101	138,064	-
<b>Total primary government</b>	<b>6,498,056</b>	<b>776,977</b>	<b>941,366</b>	<b>-</b>
<b>Component Units:</b>				
Eldora-New Providence School Foundation	18,913	8,906	55,270	-
<b>Total</b>	<b>6,516,969</b>	<b>785,883</b>	<b>996,636</b>	<b>-</b>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
<b>Total general revenues</b>				

**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.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
(1,721,139)	-	(1,721,139)	-
(641,364)	-	(641,364)	-
(367,193)	-	(367,193)	-
<u>(2,729,696)</u>	<u>-</u>	<u>(2,729,696)</u>	<u>-</u>
(287,516)	-	(287,516)	-
(240,418)	-	(240,418)	-
(555,192)	-	(555,192)	-
(532,408)	-	(532,408)	-
(179,197)	-	(179,197)	-
<u>(1,794,731)</u>	<u>-</u>	<u>(1,794,731)</u>	<u>-</u>
(23,998)	-	(23,998)	-
(94,318)	-	(94,318)	-
-	-	-	-
(148,191)	-	(148,191)	-
<u>(266,507)</u>	<u>-</u>	<u>(266,507)</u>	<u>-</u>
<u>(4,790,934)</u>	<u>-</u>	<u>(4,790,934)</u>	<u>-</u>
-	11,221	11,221	-
-	-	-	-
-	-	-	45,263
<u>(4,790,934)</u>	<u>11,221</u>	<u>(4,779,713)</u>	<u>45,263</u>
1,701,508	-	1,701,508	-
194,686	-	194,686	-
153,523	-	153,523	-
385,251	-	385,251	-
2,553,382	-	2,553,382	-
76,963	-	76,963	4,626
3,567	-	3,567	-
<u>5,068,880</u>	<u>-</u>	<u>5,068,880</u>	<u>4,626</u>
277,946	11,221	289,167	49,889
<u>2,702,824</u>	<u>15,967</u>	<u>2,718,791</u>	<u>103,710</u>
<u>2,980,770</u>	<u>27,188</u>	<u>3,007,958</u>	<u>153,599</u>

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2006

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments:			
ISCAP	2,114,323	-	2,114,323
Other	98,999	152,127	251,126
Receivables:			
Property tax:			
Delinquent	23,916	4,527	28,443
Succeeding year	1,844,885	423,446	2,268,331
Accounts	1,224	109	1,333
Accrued interest - ISCAP	18,138	-	18,138
Inventories	5,978	-	5,978
Interfund receivable	150,000	-	150,000
Due from other governments	225,505	33,174	258,679
	<u>4,482,968</u>	<u>613,383</u>	<u>5,096,351</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	41,780	1,106	42,886
Salaries and benefits payable	536,494	-	536,494
Interfund payable	100,000	166,859	266,859
ISCAP warrants payable	2,113,000	-	2,113,000
ISCAP accrued interest payable	17,379	-	17,379
ISCAP premium	14,888	-	14,888
Deferred revenue:			
Succeeding year property tax	1,844,885	423,446	2,268,331
Other	140,478	-	140,478
Total liabilities	<u>4,808,904</u>	<u>591,411</u>	<u>5,400,315</u>
Fund balances:			
Reserved for:			
Inventories	5,978	-	5,978
Phase III	13,287	-	13,287
Debt service	-	8,257	8,257
Unreserved, reported in:			
General fund	(345,201)	-	(345,201)
Special revenue funds	-	115,298	115,298
Capital project fund	-	(101,583)	(101,583)
Total fund balances	<u>(325,936)</u>	<u>21,972</u>	<u>(303,964)</u>
	<u>4,482,968</u>	<u>613,383</u>	<u>5,096,351</u>
<b>Total liabilities and fund balances</b>			

See notes to financial statements.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets

June 30, 2006

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	<b>(303,964)</b>
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,299,224
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	140,478
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	(6,589)
An internal service fund is used by the District's management to charge the costs of the partially self-funded health insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	280,374
Long-term liabilities, including bonds payable, notes payable, compensated absences and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,428,753)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<b><u><u>2,980,770</u></u></b>

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	1,744,947	690,110	2,435,057
Tuition	432,390	-	432,390
Other	186,553	167,323	353,876
State sources	3,037,495	296	3,037,791
Federal sources	241,466	-	241,466
Total revenues	<u>5,642,851</u>	<u>857,729</u>	<u>6,500,580</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	2,306,510	72,917	2,379,427
Special instruction	911,520	-	911,520
Other instruction	552,789	135,019	687,808
	<u>3,770,819</u>	<u>207,936</u>	<u>3,978,755</u>
Support services:			
Student services	292,966	-	292,966
Instructional staff services	274,006	39,078	313,084
Administration services	562,549	-	562,549
Operation and maintenance of plant services	447,253	60,071	507,324
Transportation services	149,515	8,665	158,180
	<u>1,726,289</u>	<u>107,814</u>	<u>1,834,103</u>
Other expenditures:			
Facilities acquisition	-	32,923	32,923
Long-term debt:			
Principal	-	395,000	395,000
Interest and fiscal charges	-	96,062	96,062
AEA flowthrough	197,357	-	197,357
	<u>197,357</u>	<u>523,985</u>	<u>721,342</u>
Total expenditures	<u>5,694,465</u>	<u>839,735</u>	<u>6,534,200</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(51,614)</u>	<u>17,994</u>	<u>(33,620)</u>
Other financing sources (uses):			
Operating transfers in	-	295,688	295,688
Operating transfers out	(25,000)	(270,688)	(295,688)
Total other financing sources (uses)	<u>(25,000)</u>	<u>25,000</u>	<u>-</u>
Net change in fund balances	(76,614)	42,994	(33,620)
Fund balances beginning of year	<u>(249,322)</u>	<u>(21,022)</u>	<u>(270,344)</u>
Fund balances end of year	<u>(325,936)</u>	<u>21,972</u>	<u>(303,964)</u>

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(33,620)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and donated equipment were lower than depreciation expense in the year as follows:

Donated equipment	5,000	
Expenditures for capital assets	105,369	
Depreciation expense	<u>(315,217)</u>	(204,848)

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.

3,478

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.

395,000

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.

1,386

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:

Termination benefits	18,649	
Compensated absences	<u>5,909</u>	24,558

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

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 91,992
**Changes in net assets of governmental activities (Exhibit B)**


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 277,946

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2006

	Enterprise Fund	Governmental Activities - Internal Service Fund
	Nonmajor School Nutrition	Service Fund
	\$	\$
<b>Assets</b>		
Cash and cash equivalents	14,257	165,189
Accounts receivable	29	-
Interfund receivable	-	116,859
Inventories	4,799	-
Capital assets, net of accumulated depreciation	11,277	-
	<u>30,362</u>	<u>282,048</u>
<b>Total assets</b>		
<b>Liabilities</b>		
Accounts payable	-	1,674
Deferred revenue	3,174	-
	<u>3,174</u>	<u>1,674</u>
<b>Total liabilities</b>		
<b>Net assets</b>		
Invested in capital assets, net of related debt	11,277	-
Unrestricted	15,911	280,374
	<u>27,188</u>	<u>280,374</u>
<b>Total net assets</b>		

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	Enterprise Fund	Governmental Activities - Internal Service Fund
	<u>Nonmajor School Nutrition</u>	<u>Service Fund</u>
	\$	\$
Operating revenue:		
Local sources:		
Charges for service	140,101	174,744
Operating expenses:		
Non-instructional programs:		
Salaries	92,196	11,483
Benefits	37,471	72,254
Supplies	134,646	-
Depreciation	2,631	-
	<u>266,944</u>	<u>83,737</u>
Operating gain (loss)	<u>(126,843)</u>	<u>91,007</u>
Non-operating revenue:		
State sources	3,497	-
Federal sources	134,567	-
Interest income	-	985
Total non-operating revenue	<u>138,064</u>	<u>985</u>
Change in net assets	11,221	91,992
Net assets beginning of year	<u>15,967</u>	<u>188,382</u>
Net assets end of year	<u><u>27,188</u></u>	<u><u>280,374</u></u>

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2006

	Enterprise Fund	Governmental Activities - Internal Service Fund
	Nonmajor School Nutrition	Fund
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	140,945	-
Sale of services to other funds	-	174,744
Cash payments to employees for services	(129,667)	(108,026)
Cash payments to suppliers for goods or services	(120,279)	-
Net cash provided (used) by operating activities	<u>(109,001)</u>	<u>66,718</u>
Cash flows from non-capital financing activities:		
State grants received	3,497	-
Federal grants received	120,419	-
Net cash provided by non-capital financing activities	<u>123,916</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Loans from (to) other funds	-	(47,259)
Cash flows from investing activities:		
Interest on investments	-	985
Net increase (decrease) in cash and cash equivalents	14,915	20,444
Cash and cash equivalents at beginning of year	(388)	144,745
Cash and cash equivalents at end of year	<u>14,527</u>	<u>165,189</u>
<b>Reconciliation of operating gain (loss) to net cash provided (used) by operating activities:</b>		
Operating gain (loss)	(126,843)	91,007
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	14,418	-
Depreciation	2,631	-
Decrease (increase) in inventories	(51)	-
Decrease (increase) in accounts receivable	43	-
(Decrease) increase in accounts payable	-	(24,289)
(Decrease) increase in deferred revenue	801	-
Net cash used in operating activities	<u>(109,001)</u>	<u>66,718</u>

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

During the year ended June 30, 2006 the District received \$14,418 of federal commodities.

# ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2006

### 1. Summary of Significant Accounting Policies

Eldora-New Providence Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Eldora and New Providence, Iowa and the predominately agricultural territory in a portion of Grundy, Hardin and Marshall Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

#### A. Reporting Entity

For financial reporting purposes, Eldora-New Providence Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Eldora-New Providence Community School District Foundation meets the definition and has been included in the government-wide financial statements as a discretely presented component unit.

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

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

#### B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental fund:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005, through June 30, 2006, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.

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

The District's deposits in banks at June 30, 2006 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 No. 3 as amended by No. 40.

**3. Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
General Fund	Nonmajor - Capital Projects Fund	150,000
Internal Service Fund	Nonmajor – Management Fund	16,859
Internal Service Fund	General Fund	100,000

The Internal Service Fund loaned the Management and General Funds money to improve cash flow.

The Capital Projects Fund owes the General Fund \$150,000 for previous year note payments that were made from the General Fund, but now are reclassified as Capital Projects Fund payments. The District expects this loan to be repaid over the next several years.

**4. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
		\$
Nonmajor - Debt Service Fund	General Fund	25,000
Nonmajor - Debt Service Fund	Nonmajor - Capital Projects Fund	270,688

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

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

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District’s participation in ISCAP as of June 30, 2006, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2005-06B	1/26/06	1/26/07	876,047	17,753	873,000	16,914
2006-07A	6/28/06	6/28/07	1,238,276	385	1,240,000	465
Total			<u>2,114,323</u>	<u>18,138</u>	<u>2,113,000</u>	<u>17,379</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, 2006, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	906,000	906,000	-

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
	%	%
2005-06A	4.000	3.903
2005-06B	4.500	4.772
2006-07A	4.500	5.676

## 6. Anticipatory Warrants

The District issued and repaid the following warrants with a 5.25% interest rate during the year:

Balance Beginning of Year	Loan Received	Loan Repaid	Balance End of Year
\$	\$	\$	\$
-	195,000	195,000	-

## 7. Capital Assets

Capital assets activity for the year ended June 30, 2006, is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	235,570	-	-	235,570
Capital assets being depreciated:				
Buildings	6,575,446	8,925	-	6,584,371
Improvements other than buildings	218,679	-	-	218,679
Furniture and equipment	1,862,879	101,444	-	1,964,323
Total capital assets being deprec.	8,657,004	110,369	-	8,767,373
Less accumulated depreciation for:				
Buildings	2,513,003	137,256	-	2,650,259
Improvements other than buildings	57,679	10,935	-	68,614
Furniture and equipment	817,820	167,026	-	984,846
Total accumulated depreciation	3,388,502	315,217	-	3,703,719

Total capital assets being depreciated, net	<u>5,268,502</u>	<u>(204,848)</u>	<u>-</u>	<u>5,063,654</u>
Governmental activities capital assets, net	<u>5,504,072</u>	<u>(204,848)</u>	<u>-</u>	<u>5,299,224</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	182,620	-	-	182,620
Less accumulated depreciation	<u>168,712</u>	<u>2,631</u>	<u>-</u>	<u>171,343</u>
Business type activities capital assets, net	<u>13,908</u>	<u>2,631</u>	<u>-</u>	<u>11,277</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	69,562
Other	5,119
Support Services:	
Instructional staff support	17,193
Administration services	310
Operation and maintenance of plant services	40,783
Transportation	<u>34,059</u>
	167,026
Unallocated depreciation	<u>148,191</u>
Total depreciation expense – governmental activities	<u>315,127</u>
Business type activities:	
Food services	<u>2,631</u>

## 8. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	1,935,000	-	310,000	1,625,000	330,000
Energy management notes	370,000	-	85,000	285,000	85,000
Termination benefits	230,655	2,844	21,493	212,006	53,884
Compensated absences	<u>312,656</u>	<u>5,574</u>	<u>11,483</u>	<u>306,747</u>	<u>23,128</u>
Total	<u>2,848,311</u>	<u>8,418</u>	<u>427,976</u>	<u>2,428,753</u>	<u>492,012</u>

### Termination Benefits

The District offered a voluntary early retirement plan to its certified employee during the year ended June 30, 2004. Eligible employees must have reached the [age of fifty-five](#) on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits were the greater of 1/3 of annual gross salary at the time of retirement or \$15,000.

Early retirement benefits will be paid in [three annual installments or the retiree may elect to have the benefit applied to health insurance premiums](#).

At June 30, 2006, the District has obligations to sixteen participants with a total liability of **\$212,006**. Actual early retirement expenditures for the year ended June 30, 2006 totaled **\$21,493**.

### General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May, 1998			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2007	4.350	330,000	71,644	401,644
2008	4.375	345,000	57,289	402,289
2009	4.400	365,000	42,195	407,195
2010	4.450	380,000	26,135	406,135
2011	4.500	205,000	9,225	214,225
		<u>1,625,000</u>	<u>206,488</u>	<u>1,831,488</u>

### Energy Management Capital Loan Notes

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

Year Ending June 30,	June 30, 2002 Issue		July 1, 2002 Issue		Total
	Principal	Interest	Principal	Interest	
	\$	\$	\$	\$	
2007	25,000	-	65,000	7,425	97,425
2008	25,000	-	70,000	3,850	98,850
2009	25,000	-	-	-	25,000
2010	25,000	-	-	-	25,000
2011	25,000	-	-	-	25,000
2012	25,000	-	-	-	25,000
	<u>150,000</u>	<u>-</u>	<u>135,000</u>	<u>11,275</u>	<u>296,275</u>

During the year ended June 30, 2006 the District made principal and interest payments totaling \$95,688 under the note agreements. The General Fund paid \$25,000 and the Capital Projects Fund paid \$70,688.

## **9. Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$198,395, \$197,055, and \$192,913 respectively, equal to the required contributions for each year.

## **10. Risk Management**

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

## **11. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$197,357 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## **12. Fund Balance Deficit**

The Nonmajor - Management Fund has a \$15,212 deficit unreserved fund balance, the Nonmajor - Capital Projects Sales Tax Fund has a \$101,583 deficit unreserved fund balance and the General Fund has a \$345,201 deficit unreserved fund balance at June 30, 2006.

REQUIRED SUPPLEMENTARY INFORMATION

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Revenues:						
Local sources	3,221,323	140,101	3,361,424	3,366,475	3,366,475	(5,051)
State sources	3,037,791	3,497	3,041,288	3,077,897	3,077,897	(36,609)
Federal sources	241,466	134,567	376,033	295,000	295,000	81,033
Total revenues	<u>6,500,580</u>	<u>278,165</u>	<u>6,778,745</u>	<u>6,739,372</u>	<u>6,739,372</u>	<u>39,373</u>
Expenditures:						
Instruction	3,978,755	-	3,978,755	4,099,800	4,099,800	121,045
Support services	1,834,103	-	1,834,103	1,653,955	1,800,000	(34,103)
Non-instructional programs	-	266,944	266,944	301,000	301,000	34,056
Other expenditures	721,342	-	721,342	824,672	824,672	103,330
Total expenditures	<u>6,534,200</u>	<u>266,944</u>	<u>6,801,144</u>	<u>6,879,427</u>	<u>7,025,472</u>	<u>224,328</u>
Excess (deficiency) of revenues over (under) expenditures	(33,620)	11,221	(22,399)	(140,055)	(286,100)	263,701
Balance beginning of year	<u>(270,344)</u>	<u>15,967</u>	<u>(254,377)</u>	<u>339,008</u>	<u>339,008</u>	<u>(593,385)</u>
Balance end of year	<u><u>(303,964)</u></u>	<u><u>27,188</u></u>	<u><u>(276,776)</u></u>	<u><u>198,953</u></u>	<u><u>52,908</u></u>	<u><u>(329,684)</u></u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

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 GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$146,045.

During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2006

Assets	Special Revenue Funds			Capital Projects		Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Sales Tax	Debt Service	
	\$	\$	\$	\$	\$	
Cash and pooled investments	-	129,609	1,898	15,243	5,377	152,127
Receivables:						
Property tax:						
Delinquent	1,647	-	-	-	2,880	4,527
Succeeding year	172,605	-	48,797	-	202,044	423,446
Accounts	-	109	-	-	-	109
Due from other governments	-	-	-	33,174	-	33,174
<b>Total assets</b>	<b>174,252</b>	<b>129,718</b>	<b>50,695</b>	<b>48,417</b>	<b>210,301</b>	<b>613,383</b>
<b>Liabilities &amp; Fund Balances</b>						
Liabilities:						
Accounts payable	-	1,106	-	-	-	1,106
Interfund payables	16,859	-	-	150,000	-	166,859
Deferred revenue:						
Succeeding year property tax	172,605	-	48,797	-	202,044	423,446
Total liabilities	189,464	1,106	48,797	150,000	202,044	591,411
Fund balances:						
Reserved for debt service	-	-	-	-	8,257	8,257
Unreserved fund balance reported in:						
Special revenue funds	(15,212)	128,612	1,898	-	-	115,298
Capital project funds	-	-	-	(101,583)	-	(101,583)
Total fund balances	(15,212)	128,612	1,898	(101,583)	8,257	21,972
<b>Total liabilities and fund balances</b>	<b>174,252</b>	<b>129,718</b>	<b>50,695</b>	<b>48,417</b>	<b>210,301</b>	<b>613,383</b>

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	Special Revenue Funds			Capital Projects		Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Sales Tax	Debt Service	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	109,812	-	-	385,251	195,047	690,110
Other	4,015	162,440	52	458	358	167,323
State sources	108	-	-	-	188	296
Total revenues	<u>113,935</u>	<u>162,440</u>	<u>52</u>	<u>385,709</u>	<u>195,593</u>	<u>857,729</u>
Expenditures:						
Current:						
Instruction:						
Regular instruction	72,917	-	-	-	-	72,917
Other instruction	-	132,569	-	2,450	-	135,019
Support services:						
Instructional staff services	-	-	-	39,078	-	39,078
Operation and maintenance of plant services	38,077	776	-	21,218	-	60,071
Transportation services	8,665	-	-	-	-	8,665
Other expenditures:						
Facilities acquisition	-	-	437	32,486	-	32,923
Long-term debt:						
Principal	-	-	-	-	395,000	395,000
Interest and fiscal charges	-	-	-	-	96,062	96,062
Total expenditures	<u>119,659</u>	<u>133,345</u>	<u>437</u>	<u>95,232</u>	<u>491,062</u>	<u>839,735</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,724)</u>	<u>29,095</u>	<u>(385)</u>	<u>290,477</u>	<u>(295,469)</u>	<u>17,994</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	295,688	295,688
Operating transfers out	-	-	-	(270,688)	-	(270,688)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(270,688)</u>	<u>295,688</u>	<u>25,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(5,724)</u>	<u>29,095</u>	<u>(385)</u>	<u>19,789</u>	<u>219</u>	<u>42,994</u>
Fund balances beginning of year	<u>(9,488)</u>	<u>99,517</u>	<u>2,283</u>	<u>(121,372)</u>	<u>8,038</u>	<u>(21,022)</u>
Fund balances end of year	<u>(15,212)</u>	<u>128,612</u>	<u>1,898</u>	<u>(101,583)</u>	<u>8,257</u>	<u>21,972</u>
See accompanying independent auditor's report.		40				

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

Account	Balance	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
MS vocal	388	555	26	-	917
MS instrumental	60	1,150	490	-	720
MS athletics general	4,236	-	18	4,157	8,375
MS basketball	1,194	-	1,210	500	484
MS baseball/softball	176	40	880	800	136
MS track	935	1,190	929	-	1,196
MS football	1,109	1,268	462	(1,300)	615
MS wrestling	543	-	110	-	433
MS volleyball	511	75	350	-	236
MS student council	1,802	730	971	-	1,561
MS activities/fund raisers	2,794	20,889	13,668	(4,000)	6,015
MS student store	3,221	72	83	-	3,210
MS annual	1,523	685	193	-	2,015
Drama club	-	108	-	-	108
HS vocal music	-	12,010	12,389	500	121
HS instrumental music	3,658	741	592	(1,000)	2,807
Music resale	-	497	553	500	444
Performance team	-	2,033	826	-	1,207
HS athletics general	6,171	3,791	6,103	1,184	5,043
HS athletic resale	25	2,578	2,356	-	247
HS basketball	2,072	9,382	4,310	(4,600)	2,544
HS athletic medical	158	-	845	1,000	313
HS athletic clinics	130	-	436	500	194
HS baseball/softball	183	5,216	7,700	3,000	699
HS baseball/softball scoreboards	-	1,923	24	-	1,899
HS track	2,993	5,210	1,758	(3,000)	3,445
HS track resurfacing	13,584	944	834	279	13,973
HS cross country	617	1,213	1,357	-	473
HS tennis	136	81	191	-	26
HS golf	94	133	628	500	99
Cheerleaders	513	1,843	2,383	500	473
HS football	1,342	14,048	9,625	(2,500)	3,265
Football fund raisers	62	12,638	10,394	-	2,306
HS wrestling	3,058	3,296	2,819	2,852	6,387
HS volleyball	1,048	4,891	3,317	-	2,622
HS student council	2,675	833	927	-	2,581
Get a grip	1,648	448	607	-	1,489
National Honor Society	2,753	3,714	1,767	-	4,700
FFA	6,619	9,379	9,400	47	6,645
Spanish club	687	-	-	-	687
Class of 2002	841	-	841	-	-

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

Account	Balance	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
Class of 2003	86	-	86	-	-
Class of 2004	580	-	580	-	-
Class of 2005	515	-	-	(515)	-
Class of 2006	1,304	760	846	-	1,218
Class of 2007	6,627	1,531	8,159	515	514
Class of 2008	30	16,121	7,044	-	9,107
Class of 2009	-	414	-	-	414
HS concessions, donations	7,989	11,264	9,434	-	9,819
HS annual/2006	-	8,400	63	-	8,337
HS annual/2005	5,958	346	4,761	-	1,543
HS annual/2004	868	-	-	-	868
HS annual/2002	1,084	-	-	-	1,084
HS annual/2003	4,998	-	-	-	4,998
June 30, 2005 accrual entries	(81)	-	-	81	-
Total	99,517	162,440	133,345	-	128,612

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,435,057	2,218,849	2,146,596	2,173,260
Tuition	432,390	450,521	539,036	294,837
Other	353,876	287,871	371,978	729,197
State sources	3,037,791	2,916,933	2,808,713	2,856,018
Federal sources	241,466	239,826	245,777	224,916
Total revenues	<u>6,500,580</u>	<u>6,114,000</u>	<u>6,112,100</u>	<u>6,278,228</u>
Expenditures:				
Instruction:				
Regular instruction	2,379,427	2,443,073	2,424,608	2,386,185
Special instruction	911,520	1,033,569	1,076,093	1,157,997
Other instruction	687,808	523,538	531,043	351,395
Support services:				
Student services	292,966	266,640	262,857	357,062
Instructional staff services	313,084	125,522	120,932	119,723
Administration services	562,549	574,249	572,346	508,338
Operation and maintenance of plant services	507,324	396,198	415,384	1,061,698
Transportation services	158,180	143,738	162,906	182,093
Non-instructional programs	-	2,782	2,528	3,392
Other expenditures:				
Facilities acquisition	32,923	135,720	38,687	84,784
Long-term debt:				
Principal	395,000	435,246	616,823	394,683
Interest and other charges	96,062	114,037	141,831	155,425
AEA flowthrough	197,357	191,554	195,946	200,326
Total expenditures	<u>6,534,200</u>	<u>6,385,866</u>	<u>6,561,984</u>	<u>6,963,101</u>

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eldora-New Providence Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 8, 2006. We did not issue an opinion on the Eldora-New Providence School Foundation, which is included in the District's financial statements as a discretely presented component unit, because we were not engaged to and did not audit the Foundation. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 06-I-A is a material weakness.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

August 8, 2006

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year Ended June 30, 2006

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

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

Conclusion: Response accepted.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year Ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

06-II-A Certified Budget: Expenditures for the year ended June 30, 2006, exceeded the amount budgeted in the support services functional area.

Recommendation: The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

District Response: We did amend our budget, however year-end expenditures were more than anticipated.

Conclusion: Response accepted.

06-II-B 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.

06-II-C 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.

06-II-D 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>
		\$
Pat Ryan, Board Member and Athletic Official	Referee fees	1,113

The transaction does not appear to represent a conflict of interest since the dollar amount was less than \$2,500.

06-II-E 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.

06-II-F Board Minutes: We noted no transactions requiring board approval that had not been approved by the Board.

06-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

06-II-H 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.

06-II-I Certified Annual Report (CAR): The audit was completed before the CAR due date.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year Ended June 30, 2006

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

06-II-J Financial Condition: The District has a General Fund deficit unreserved fund balance of \$345,201, the Capital Projects Sales Tax Fund has a deficit unreserved fund balance of \$101,583 and the Management Fund has a deficit fund balance of \$15,212 at June 30, 2006.

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

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

Conclusion: Response accepted.