



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE July 10, 2003

Contact: Andy Nielsen  
515/281-5515

Auditor of State David A. Vaudt today released an audit report on the Iowa Braille and Sight Saving School, Vinton, Iowa, for the year ended June 30, 2002.

The School provides residential and day school educational programs for visually impaired youth as well as a variety of resource services for mainstreamed students.

The School's general fund revenues for fiscal year 2002 totaled \$6,527,727, an 11% increase over fiscal year 2001, and included \$5,133,629 in state appropriations. General fund expenditures for fiscal year 2002 totaled \$6,650,970, representing a 16% increase over the prior year. The increase in expenditures was due primarily to costs associated with additional capital projects for dormitory upgrades and tunnel repair.

A copy of the audit report is available for review in the Office of Auditor of State.

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**IOWA BRAILLE AND SIGHT SAVING SCHOOL**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS, REQUIRED  
SUPPLEMENTARY INFORMATION AND  
OTHER SUPPLEMENTARY INFORMATION**

**JUNE 30, 2002**

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## Iowa Braille and Sight Saving School

### Officials

Name

Title

#### State

Honorable Thomas J. Vilsack  
Cynthia P. Eisenhauer  
Dennis C. Prouty

Governor  
Director, Department of Management  
Director, Legislative Services Agency

#### Board of Regents

Owen J. Newlin, Ph.D.  
Neala R. Arnold  
Dr. Amir I. Arbisser  
Mary Ellen Becker  
David J. Fisher  
Dr. Clarkson L. Kelly, Jr.  
David G. Neil  
Sue Erickson Nieland  
Dr. Deborah A. Turner  
Gregory S. Nichols

President  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Executive Director

#### School

Dennis Thurman  
Luann Woodward

Superintendent  
Director of Administrative Services

**Iowa Braille and Sight Saving School**



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Independent Auditor's Report

To the Members of the Board of  
Regents, State of Iowa:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Iowa Braille and Sight Saving School, as of and for the year ended June 30, 2002, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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 that our audit provides a reasonable basis for our opinions.

As discussed in Note 1 to the financial statements, the financial statements of the Iowa Braille and Sight Saving School are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Iowa that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2002 and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Iowa Braille and Sight Saving School as of June 30, 2002, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 8 to the financial statements, during the year ended June 30, 2002, the Iowa Braille and Sight Saving School adopted Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement Number 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Omnibus; and Statement Number 38, Certain Financial Statement Note Disclosures. The School also changed the capital asset capitalization threshold as described in Note 8.

In accordance with Government Auditing Standards, we have also included our report dated April 4, 2003 on our consideration of Iowa Braille and Sight Saving School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison information on page 25 and page 26 is not a required part of the basic financial statements, but is 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 the Iowa Braille and Sight Saving School's basic financial statements. The other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in our audit of the aforementioned 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.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 4, 2003



## **Basic Financial Statements**

**Exhibit A**

## Iowa Braille and Sight Saving School

## Statement of Net Assets

June 30, 2002

	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 3,982,754
Accounts receivable	208,035
Due from other state agencies	349,673
Inventories	7,838
Total current assets	<u>4,548,300</u>
Noncurrent assets:	
Capital assets, net (note 3)	<u>2,351,042</u>
<b>Total assets</b>	<u>6,899,342</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	149,699
Salaries and benefits payable	286,914
Due to other state agencies	44,153
Deferred revenue	3,061
Compensated absences	171,525
Total current liabilities	<u>655,352</u>
Noncurrent liabilities:	
Compensated absences	<u>33,610</u>
<b>Total liabilities</b>	<u>688,962</u>
<b>Net Assets</b>	
Invested in capital assets	2,351,042
Restricted for specific purposes	1,335,497
Unrestricted	<u>2,523,841</u>
<b>Total net assets</b>	<u>\$ 6,210,380</u>

See notes to financial statements.

Iowa Braille and Sight Saving School

Statement of Activities

Year ended June 30, 2002

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants and Contributions and Restricted Investment Income (Loss)	
<b>Functions/Programs:</b>				
Governmental activities:				
Instruction	\$ 1,656,117	20,478	(13,031)	(1,648,670)
Academic support	1,655,730	783,560	364,333	(507,837)
Student services	1,038,918	3,841	14,614	(1,020,463)
Institutional support	791,843	45,644	-	(746,199)
Physical plant	820,395	28,280	-	(792,115)
Other restricted programs	9,207	-	-	(9,207)
Depreciation expense - unallocated	209,056	-	-	(209,056)
<b>Total</b>	<b>\$ 6,181,266</b>	<b>881,803</b>	<b>365,916</b>	<b>(4,933,547)</b>
<b>General revenues:</b>				
State appropriation				5,133,629
Net decrease in fair value of investments				(306,063)
Unrestricted gifts				55,552
Principal demutualization proceeds				157,513
<b>Total general revenues</b>				<b>5,040,631</b>
Change in net assets				107,084
Net assets beginning of year, as restated (note 8)				6,103,296
Net assets end of year				<b>\$ 6,210,380</b>

See notes to financial statements.

## Iowa Braille and Sight Saving School

Balance Sheet  
Governmental Funds

June 30, 2002

<b>Assets</b>	General	Special Revenue	Total
Cash and investments	\$ 103,598	3,879,156	3,982,754
Accounts receivable	208,035	-	208,035
Due from other state agencies	348,328	1,345	349,673
Inventories	7,838	-	7,838
<b>Total assets</b>	<b>\$ 667,799</b>	<b>3,880,501</b>	<b>4,548,300</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 142,041	7,658	149,699
Salaries and benefits payable	279,799	7,115	286,914
Due to other state agencies	44,153	-	44,153
Deferred revenue	3,061	-	3,061
Total liabilities	469,054	14,773	483,827
Fund balances:			
Reserved for:			
Inventories	7,838	-	7,838
Encumbrances	157,242	38,315	195,557
Vehicle replacement	33,665	-	33,665
Specific purpose	-	1,335,497	1,335,497
Unreserved	-	2,491,916	2,491,916
Total fund balances	198,745	3,865,728	4,064,473
<b>Total liabilities and fund balances</b>	<b>\$ 667,799</b>	<b>3,880,501</b>	<b>4,548,300</b>

See notes to financial statements.

## Iowa Braille and Sight Saving School

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

June 30, 2002

**Total governmental fund balances (page 10)** \$ 4,064,473

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$5,340,101 and the accumulated depreciation is \$2,989,059.

2,351,042

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year-end consist of compensated absences.

(205,135)

**Net assets of governmental activities (page 9)**

\$ 6,210,380

See notes to financial statements.

**Exhibit E**

## Iowa Braille and Sight Saving School

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

Year ended June 30, 2002

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
State appropriation	\$ 5,133,629	-	5,133,629
Federal operating grants and entitlements	503,501	-	503,501
Sales and service	828,853	-	828,853
Rental income	28,281	-	28,281
Investment income	8,794	-	8,794
Net decrease in fair value of investments	-	(452,443)	(452,443)
Gifts	-	213,066	213,066
In-kind support	5,221	-	5,221
Other	19,448	-	19,448
Total revenues	<u>6,527,727</u>	<u>(239,377)</u>	<u>6,288,350</u>
Expenditures:			
Instruction	1,624,725	27,997	1,652,722
Academic support	1,697,198	41,672	1,738,870
Student services	1,036,997	1,518	1,038,515
Institutional support	810,532	4,104	814,636
Physical plant	1,481,518	-	1,481,518
Other restricted programs	-	9,207	9,207
Total expenditures	<u>6,650,970</u>	<u>84,498</u>	<u>6,735,468</u>
Net change in fund balances	(123,243)	(323,875)	(447,118)
Fund balances beginning of year, as restated (note 8)	<u>321,987</u>	<u>4,189,604</u>	<u>4,511,591</u>
Fund balances end of year	<u>\$ 198,744</u>	<u>3,865,729</u>	<u>4,064,473</u>

See notes to financial statements.

Iowa Braille and Sight Saving School

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

Year ended June 30, 2002

**Net change in fund balances - total governmental funds (page 12)** \$ (447,118)

***Amounts reported for governmental activities in the statement of activities (page 9) are different because:***

Governmental funds report capital outlay as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful lives of the assets. Capital outlay exceeded depreciation expense in the current year as follows:

Capital outlay	\$ 774,964	
Depreciation expense	<u>(209,057)</u>	565,907

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 governmental funds. These expenses consist of compensated absences.

(11,705)

**Change in net assets of governmental activities (page 9)** \$ 107,084

See notes to financial statements.

**Exhibit G**

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## Iowa Braille and Sight Saving School

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2002

	Private-purpose Trust Fund	Agency Funds
<b>Assets</b>		
Cash	\$ -	12,488
Investments	4,500	-
<b>Total assets</b>	4,500	12,488
<b>Liabilities</b>		
Deposits held in custody for others	-	12,488
<b>Net Assets</b>		
Held in trust for others	\$ 4,500	-

See notes to financial statements.



Iowa Braille and Sight Saving School  
Statement of Changes in Fiduciary Net Assets -  
Private - purpose Trust Fund  
Year ended June 30, 2002

		<u>Private-purpose Trust Fund</u>
Additions		
Distribution from Special Revenue Fund		\$ 9,207
Investment Income:		
Net decrease in fair value of investments	\$ (2,496)	
Investment loss	(6,711)	(9,207)
Total additions		<u>-</u>
Deductions:		
None		<u>-</u>
Change in net assets held in trust		-
Net assets beginning of year, as restated (note 8)		<u>4,500</u>
Net assets end of year		<u><u>\$ 4,500</u></u>

See notes to financial statements.

Iowa Braille and Sight Saving School

Notes to Financial Statements

June 30, 2002

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

The Iowa Braille and Sight Saving School, an agency of the State of Iowa, is governed by the Board of Regents, State of Iowa and is primarily supported by appropriations made by the State Legislature.

In accordance with Chapter 269 of the Code of Iowa, any resident of the state under twenty-one years of age who has a visual disability too severe to acquire a satisfactory education in a regular educational environment is entitled to an education in the School at the expense of the state.

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

A. Reporting Entity

For financial reporting purposes, the School has included all funds, organizations, agencies, boards, commissions, and authorities. The School 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 School are such that exclusion would cause the School'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 School 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 School. The School has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Entity-wide Financial Statements – The statement of net assets and the statement of activities report information on all non-fiduciary activities of the School. Governmental activities generally are financed through appropriations, charges for service, federal grant funds and donated revenues.

The statement of net assets presents the School's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets consists of capital assets net of accumulated depreciation.

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 that are clearly identifiable with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Appropriations 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 and fiduciary funds even though the latter are excluded from the entity-wide statements. Major individual governmental funds are reported as separate columns in the fund financial statements

#### C. Financial Statement Presentation

The School reports the following major governmental funds:

The General Fund is utilized to account for the transactions related to the School's state-appropriated budget as approved by the Iowa Legislature and the Board of Regents and for funds received through the Iowa Department of Education. These funds are expended in performing the primary and support objectives of the School, i.e. instruction, student services, academic and institutional support, and operation and maintenance of plant and facilities.

The Special Revenue Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for a specified purpose. The fund includes general contributions, scholarships and memorials.

In addition, the School reports the following fiduciary fund type:

The Private-purpose Trust Fund accounts for resources of trust arrangements in which the principal and income benefit individuals, private organizations, or other governments. This fund includes accounts in which the income is to be used for the benefit of particular groups of students or graduates or for the blind residing in the State of Iowa.

Agency Funds are used to account for assets held by the School in a purely custodial capacity. This fund includes accounts such as snack bar concessions, student banking, reunion registration and employee withholding. Funds are used for concessions, various student activities and the accounting of employee bonds, insurance, annuities and miscellaneous deductions.

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

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The entity-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 School considers revenues to be available if they are collected within 60 days after year end.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds.

In reporting the financial activity in the entity-wide financial statements, the School 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.

#### E. Budgets and Budgetary Accounting

Budgetary control is exercised over the School through the budgetary process prescribed in Chapter 8 of the Code of Iowa. Each agency of the state prepares estimates of expenditures and income for each ensuing year. These estimates are transmitted to the Iowa Department of Management which prepares and submits a tentative budget to the Governor. After holding public hearings, the Governor prepares and transmits the budget to the Iowa Legislature. The Legislature appropriates funds to the various agencies based on the budget as adjusted through the appropriation process. Formal and legal budgetary control is based on total operating expenditures by appropriation unit.

The budget for the General and Special Revenue Funds are adopted on a basis consistent with U.S. generally accepted accounting principles, adjusted for the net change in inventory, in-kind support, vehicle replacement activity and encumbrances. Encumbrances outstanding at year end are charged against the School's budget, but are reported as a reservation of fund balance on the balance sheet since they do not constitute expenditures or liabilities.

There were no material violations of finance-related legal and contractual provisions. The budgetary comparison schedule and related information is reported as Required Supplementary Information.

#### F. Investments

Investments are stated at fair value.

G. Inventories

Inventories are valued at cost using the first-in, first-out method. Inventories in the General Fund consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

H. Capital Assets

Capital assets are reported in the entity-wide financial statements at historical cost. Donated capital assets are reported at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the School as assets above the following thresholds:

Land, building and improvements	\$50,000
Equipment and vehicles	2,000

Capital assets are depreciated over their useful lives using the straight-line depreciation method. The entity-wide financial statements report depreciation expense. The following useful lives are used:

<u>Asset</u>	<u>Useful Lives (in years)</u>
Buildings	40-50
Improvements other than buildings	20
Furniture, fixtures and equipment	5-20
Vehicles	5-10

I. Compensated Absences

Earned vacation and sick pay related to governmental funds are recorded as liabilities in the entity-wide financial statements. School employees accrue vacation and sick leave at rates specified in the Code of Iowa and/or collective bargaining agreements. Accumulated unused vacation leave is payable upon termination of employment. Accumulated unused sick leave is payable only upon retirement and only to limits specified in the Code of Iowa and/or collective bargaining agreements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The liabilities for compensated absences are based on rates of pay in effect at June 30, 2002.

J. State Appropriations and Reversions

The Legislature makes annual appropriations of state funds to the various agencies. No payment of an obligation for goods and services can be charged to an appropriation subsequent to the last day of the fiscal term for which the appropriation is made unless such goods or services are received on or before June 30. Notwithstanding Section 8.62 of the Code of Iowa, if the agency has unobligated balances of operational appropriations at the end of the fiscal year, the balance shall revert to the general fund of the state as provided in Section 8.33.

**(2) Cash and Investments**

The carrying amount of cash at June 30, 2002 is \$185,093 and the bank balance is \$526,468. The School's deposits throughout the period and at June 30, 2002 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.

In accordance with the Board of Regents' policy, the School's operating portfolio may be invested in obligations of the U.S. Government or its agencies, certain high rated commercial paper, highly rated corporate bonds, certain limited maturity zero coupon securities, fully insured or collateralized certificates of deposits and savings, eligible bankers acceptances of 180 days or less, certain repurchase agreements, high quality money market funds, and highly rated guaranteed investment contracts. The School's endowment portfolio may invest in all of the above as well as certain listed investment grade securities, certain shares of investment companies, and new issues of investment grade common stock.

The School's investments at June 30 are part of an investment pool operated by Iowa State University with a fair value of \$3,880,253.

The School's investments are categorized to give an indication of the level of risk assumed by the School at year end. The School's investments are all Category 3 which means that the investments are uninsured and unregistered with securities held by Iowa State University's agent in the name of the University.

**(3) Capital Assets**

Capital assets activity for the year ended June 30, 2002 is as follows:

	Balance Beginning of Year	Adjustments	Balance Beginning of Year (as restated, note 8)	Additions	Deletions	Balance End of Year
<b>Governmental activities</b>						
Capital assets, not being depreciated						
Land	\$ 18,011	(18,011)	-	-	-	-
Construction in progress	531,254	-	531,254	600,471	-	1,131,725
Total capital assets, not being depreciated	549,265	(18,011)	531,254	600,471	-	1,131,725
Capital assets, being depreciated:						
Building and improvements	2,647,409	(200,179)	2,447,230	-	-	2,447,230
Equipment and vehicles	1,793,935	(207,282)	1,586,653	174,493	-	1,761,146
Library books/resources	-	-	-	-	-	-
Total capital assets being depreciated	4,441,344	(407,461)	4,033,883	174,493	-	4,208,376
Total capital assets	4,990,609	(425,472)	4,565,137	774,964	-	5,340,101
Less accumulated depreciation for:						
Buildings and improvements	-	1,912,284	1,912,284	36,614	-	1,948,898
Equipment and vehicles	-	867,718	867,718	172,443	-	1,040,161
Total accumulated depreciation	-	2,780,002	2,780,002	209,057	-	2,989,059
Governmental activities capital assets, net	\$ 4,990,609	(3,205,474)	1,785,135	565,907	-	2,351,042

**(4) Changes in Compensated Absences**

Changes in compensated absences for the year ended June 30, 2002 are summarized as follows:

Compensated absences:	
Balance beginning of year	\$ 193,430
Increase	219,236
Decrease	<u>(207,531)</u>
Balance end of year	<u>\$ 205,135</u>

**(5) Pension and Retirement Benefits**

Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF):

The School contributes to the TIAA-CREF retirement program which is a defined contribution plan. TIAA administers the retirement plan for the School. The defined contribution retirement plan provides individual annuities for each plan participant. The Board of Regents, State of Iowa, establishes and amends the plan's provision and contribution requirements. As required by Board policy, all eligible School employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. The plan requires a minimum contribution of 3.70% by the employee and the employer is required to contribute 5.75%. The School's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2002 were \$99,327 and \$63,902, respectively.

Iowa Public Employees Retirement System (IPERS):

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

Plan members are required to contribute 3.70% of their annual salary and the School is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The School's contribution to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$103,883, \$100,405, and \$96,898, respectively, equal to the required contributions for each year.

**(6) Post Retirement Benefits**

In addition to the retirement systems described above, professional employees who meet certain specifications are eligible for participation in the early retirement incentives program (ERIP) approved by the Board of Regents, effective July 1, 1986. This program was in effect until June 30, 1992. This same program was approved for Merit System employees by the Board of Regents effective July 1, 1990 for a one year period trial basis with an extension until June 1992. Effective July 1, 1992 through June 30, 1997 and renewed through June 30, 2002, the Board of Regents approved a new early retirement incentive program for all employees. In July 2001, the Board of Regents approved discontinuation of the program upon its expiration on June 30, 2002. The Board of Regents has authorized the Superintendent to exercise discretion as to whether employees who are qualified at June 30, 2002 may have two years after expiration of the program to request participation.

To be eligible for ERIP, an employee must be 57 to 64 years of age with 15 or more years of service. The employee's participation must be approved by the employee's department head and the appropriate administrative officers.

All incentive payments are financed on a pay-as-you-go basis. An employee approved for participation in the program will receive the following incentives until age 65, unless otherwise specified: (1) the employee's health and dental insurance contributions for the first three years and employer's contributions until the employee is eligible for Medicare coverage; (2) a \$2,000 to \$4,000 paid-up life insurance policy; and (3) for employees covered by either the TIAA/CREF or IPERS retirement program, the employee's and employer's contributions up to three years and employer's contributions for up to an additional two years, with employer's contributions payable for a maximum of five years or until eligible for full Social Security benefits, whichever occurs first.

An employee may elect, prior to approval of participation in the program, to accept the present value of all or part of the incentives as a lump sum payment on the beginning date of participation in the program. The rate of interest used to calculate the present value is established annually by the Board of Regents. The rate established for this fiscal year was 3.70%.

Early Retirement Incentive Program contributions for the fiscal year ended June 30, 2002 amounted to \$46,332 for 5 program participants.

#### **(7) Risk Management**

State employee benefits for health, dental, long-term disability and life insurance coverage are insured through commercial insurers. There were no significant reductions in insurance coverage for the prior year and settlements have not exceeded coverage for the past three fiscal years. The State of Iowa self-insures on behalf of its agencies for losses related to workers' compensation, property damage and torts.

The School is also exposed to various risks of loss related to damage to and destruction of assets and natural disasters. These risks are covered by the purchase of commercial insurance. In addition, a contingent fund exists under Chapter 29C.20 of the Code of Iowa to provide compensation for loss or damage to state property (casualty losses).

The State maintains an employee fidelity bond where the first \$100,000 in losses are the responsibility of the School. Losses in excess of the \$100,000 deductible are insured up to \$2,000,000. Coverage extends to all School employees.

The School is self-insured for various risks of loss related to the operation of its motor vehicle fleet. The Regents Motor Vehicle Liability Self-Insurance Fund services liability and property damage claims.

#### **(8) Accounting Change**

During fiscal year 2002, the School implemented several new accounting standards issued by the Government Accounting Standards Board: Statement Number 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement Number 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement Number 38, Certain Financial Statement Note Disclosures.

Statement Number 34, as amended by Statement Number 37, creates new basic financial statements for reporting the School's financial activities. The financial statements now include entity-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Statement Number 38 requires certain note disclosures when Statement Number 34 is implemented.



The School also implemented new capitalization thresholds. The provisions of these standards and the changes in the capitalization policy have been incorporated into the financial statements and notes.

The entity-wide financial statements report the School's governmental activities. Beginning net assets for governmental activities has been restated to include fund reclassifications, capital assets and the changes in assets and liabilities at July 1, 2001 resulting from the conversion to the accrual basis of accounting.

Net assets, June 30, 2001, as previously reported	\$ 321,987
GASB 34 adjustments:	
Reclassification of Expendable Trust Fund to Special Revenue Fund	4,189,604
Capital assets, net of accumulated depreciation of \$2,780,002	2,210,607
Compensated absences	(193,430)
Effect of change in capitalization threshold	<u>(425,472)</u>
Net assets, July 1, 2001, as restated	<u><u>\$ 6,103,296</u></u>

In addition, in compliance with GASB Statement Number 34, the Non-expendable Trust Fund was reclassified to a Private-purpose Trust Fund. Accordingly, the fund equity has been restated for the fund financial statements.

**Required Supplementary Information**

Iowa Braille and Sight Saving School

Budgetary Comparison Schedule  
and Budget to GAAP Reconciliation  
Required Supplementary Information  
General Fund

Year ended June 30, 2002

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
<b>Revenues:</b>					
State appropriation	\$ 4,946,044	4,912,387	5,133,629	-	5,133,629
Federal operating grants and entitlements	560,325	560,325	516,136	(12,635) (1)	503,501
Sales and service	1,005,288	1,005,288	901,234	(72,381) (1)	828,853
Rental income	27,332	27,332	28,281	-	28,281
Investment income	23,000	23,000	8,794	-	8,794
In-kind support	-	-	-	5,221 (2)	5,221
Other	26,763	26,763	19,448	-	19,448
Total revenues	6,588,752	6,555,095	6,607,522	(79,795)	6,527,727
<b>Expenditures:</b>					
Salaries	4,990,791	4,990,791	4,734,995	-	4,734,995
Professional/scientific supplies	795,762	795,762	785,782	(15,275) (4)	770,507
Library acquisitions	7,212	7,212	7,530	-	7,530
Utilities	163,822	130,165	96,196	-	96,196
Building repairs	510,257	510,257	791,817	89,947 (3)	881,764
Audit and accounting	26,754	26,754	31,244	-	31,244
Equipment	94,154	94,154	159,958	(31,224) (5)	128,734
Total expenditures	6,588,752	6,555,095	6,607,522	43,448	6,650,970
Deficiency of revenues under expenditures	-	-	-	(123,243)	(123,243)
Balance beginning of year	-	-	-	321,987	321,987
Balance end of year	\$ -	-	-	198,744	198,744

Explanation of differences:

- (1) Variance is due to treatment of vehicle replacement activity
- (2) Variance is due to in-kind support not included in budget
- (3) Variance is due to net change in encumbrances
- (4) Variance is due to (1), (2) and (3) above and net change in inventory
- (5) Variance is due to (1) and (3) above

See accompanying independent auditor's report.

Iowa Braille and Sight Saving School

Budgetary Comparison Schedule  
and Budget to GAAP Reconciliation  
Required Supplementary Information  
Special Revenue Fund

Year ended June 30, 2002

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
Revenues	\$ 256,049	256,049	113,606	(352,983) (1)	(239,377)
Expenditures:					
Salaries	62,569	62,569	32,761	-	32,761
Professional/scientific supplies	118,480	118,480	42,530	-	42,530
Building repairs	25,000	25,000	38,315	(38,315) (2)	-
Equipment	50,000	50,000	-	-	-
Other restricted programs	-	-	-	9,207 (3)	9,207
Total expenditures	256,049	256,049	113,606	(29,108)	84,498
Deficiency of revenues under expenditures	-	-	-	(323,875)	(323,875)
Balance beginning of year	-	-	4,189,604	-	4,189,604
Balance end of year	\$ -	-	4,189,604	(323,875)	3,865,729

Explanation of differences:

- (1) Special revenue fund revenues are budgeted to equal fund expenditures
- (2) Variance is due to net change in encumbrances
- (3) Amount represents investment earnings loss allocated to private-purpose trust not budgeted

See accompanying independent auditor's report.

**Other Supplementary Information**

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Iowa Braille and Sight Saving School

Expenditures by Object

General Fund

Year ended June 30, 2002

	<u>Instruction</u>	<u>Academic Support</u>	<u>Student Services</u>
Salaries	\$ 1,462,941	1,409,978	945,814
Professional/scientific supplies	159,787	245,155	89,128
Library acquisitions	1,997	5,533	-
Utilities	-	-	-
Building repair	-	-	-
Audit and accounting	-	-	-
Equipment	-	36,532	2,055
Total	<u>\$ 1,624,725</u>	<u>1,697,198</u>	<u>1,036,997</u>

See accompanying independent auditor's report.

Institutional Support	Physical Plant	Total
579,035	337,227	4,734,995
171,578	104,859	770,507
-	-	7,530
-	96,196	96,196
-	881,764	881,764
31,244	-	31,244
28,675	61,472	128,734
810,532	1,481,518	6,650,970

**Schedule 2**

Iowa Braille and Sight Saving School  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
Year ended June 30, 2002

		Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b><u>Snack Bar</u></b>					
	<b>Assets</b>				
Cash		\$ 1,315	6,665	5,615	2,365
	<b>Liabilities</b>				
Deposits held in custody for others		\$ 1,315	6,665	5,615	2,365
<b><u>Student Banking</u></b>					
	<b>Assets</b>				
Cash		\$ 57	4,440	4,418	79
	<b>Liabilities</b>				
Deposits held in custody for others		\$ 57	4,440	4,418	79
<b><u>Employee Withholdings</u></b>					
	<b>Assets</b>				
Cash		\$ -	152,189	148,105	4,084
	<b>Liabilities</b>				
Deposits held in custody for others		\$ -	152,189	148,105	4,084
<b><u>Reunion Registration</u></b>					
	<b>Assets</b>				
Cash		\$ -	5,960	-	5,960
	<b>Liabilities</b>				
Deposits held in custody for others		\$ -	5,960	-	5,960
<b><u>Total Agency Funds</u></b>					
	<b>Assets</b>				
Cash		\$ 1,372	169,254	158,138	12,488
	<b>Liabilities</b>				
Deposits held in custody for others		\$ 1,372	169,254	158,138	12,488

See accompanying independent auditor's report.



## Iowa Braille and Sight Saving School

## Cost per Student

(Unaudited)

Year ended June 30, 2002

with comparative figures for four preceding years

Year	Average Number of		Cost Per Student *
	Students	Employees	
2002	38	118	\$ 126,676
2001	34	122	118,707
2000	37	122	114,647
1999	39	119	90,334
1998	46	119	82,629

\* Included in the average cost per student are expenditures for a significant amount of outreach services for which the costs have not been identified separately. During fiscal year 2002, the School provided outreach services to 594 students.

See accompanying independent auditor's report.

**Iowa Braille and Sight Saving School**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
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Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Members of the  
Board of Regents, State of Iowa:

We have audited the financial statements of the Iowa Braille and Sight Saving School as of and for the year ended June 30, 2002 and have issued our report thereon dated April 4, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Iowa Braille and Sight Saving School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iowa Braille and Sight Saving School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Braille and Sight Saving School, citizens of the State of Iowa and other parties to whom the Iowa Braille and Sight Saving School 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 Iowa Braille and Sight Saving School 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.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 4, 2003

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Iowa Braille and Sight Saving School

Staff

This audit was performed by:

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