

AGWSR COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

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Independent Auditor's Report

To the Board of Education of
AGWSR 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 AGWSR Community School District, Ackley, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of AGWSR Community School District as of June 30, 2004, 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.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, AGWSR Community School District 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; Statement Number 38, Certain Financial Statement Note Disclosures; Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated September 8, 2004, on our consideration of AGWSR Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Governmental 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 13 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise AGWSR 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 two years ended June 30, 2003, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 9, 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

September 8, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

AGWSR 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, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2004 Financial Highlights

- General Fund revenues decreased from \$6,799,780 in fiscal 2003 to \$6,674,915 in fiscal 2004, while General Fund expenditures increased from \$6,610,397 in fiscal 2003 to \$6,775,568 in fiscal 2004. The District's General Fund balance decreased from \$942,616 in fiscal 2003 to \$807,968 in fiscal 2004, a 14% decrease.
- The decrease in General Fund revenues was attributable to the 2.25% governor's across the board state aid reduction. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2004. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

USING THIS ANNUAL REPORT

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

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

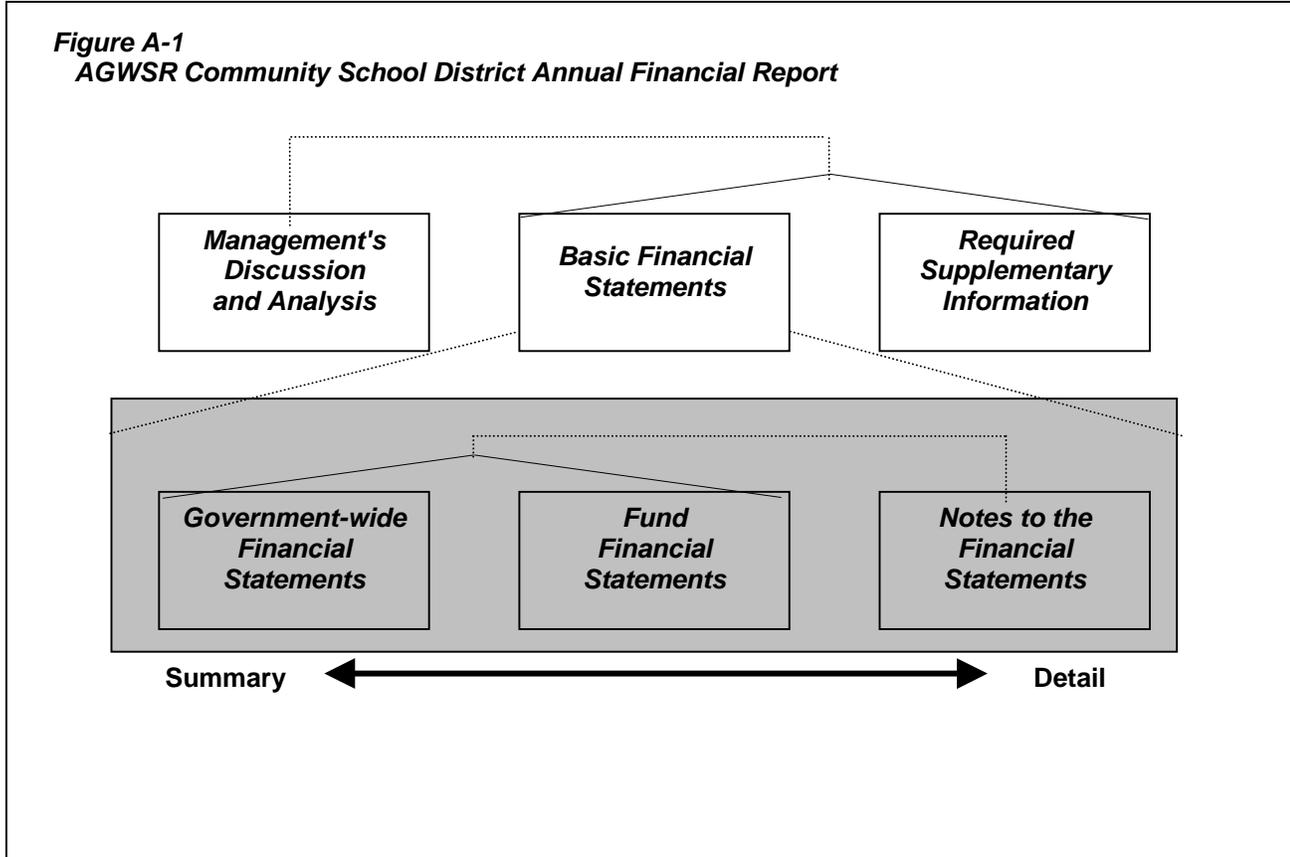


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Daycare 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 required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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, 2004 compared to June 30, 2003.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2003-2004
	Governmental Activities		Business-type Activities		Total School District		
	2003	2004	2003	2004	2003	2004	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,123,367	6,437,177	31,459	(35,322)	5,154,826	6,401,855	24.2
Capital assets	1,932,429	2,320,141	32,307	35,014	1,964,736	2,355,155	19.9
Total assets	7,055,796	8,757,318	63,766	(308)	7,119,562	8,757,010	23
Long-term liabilities	107,745	1,269,864	0	0	107,745	1,269,864	1079
Other liabilities	3,280,850	3,689,185	2,814	3,886	3,283,664	3,693,071	12.5
Total liabilities	3,388,595	4,959,049	2,814	3,886	3,391,409	4,962,935	46.3
Net Assets:							
Invested in capital assets, net of related debt	1,932,429	1,882,020	32,307	35,014	1,964,736	1,917,034	-2.4
Restricted	611,768	734,426	0	0	611,768	734,426	20.0
Unrestricted	1,123,004	1,181,823	28,645	(39,208)	1,151,649	1,142,615	-8
TOTAL NET ASSETS	3,667,201	3,798,269	60,952	(4,194)	3,728,153	3,794,075	1.8

The District's combined net assets increased by nearly 2%, or approximately \$65,922, 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 \$122,658 or 20% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$9,034 or .8%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

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

Figure A-4

	Change in Net Assets		
	Governmental Activities	Business-type Activities	Total School District
	2004	2004	2004
	\$	\$	\$
Revenues			
Program Revenues:			
Charges for services	537,124	306,806	843,930
Operating grants & contributions	781,825	148,183	930,008
Capital grants & contributions	52,120	-	52,120
General Revenues:			
Property taxes	3,107,383	-	3,107,383
Income Surtax	375,582	-	375,582
Local option sales tax	17,139	-	17,139
Unrestricted state grants	2,638,580	-	2,638,580
Unrestricted investment earnings	40,643	1,054	41,697
Other revenue	23,599	-	23,599
Total Revenues	7,573,995	456,043	8,030,038
Expenses:			
Instruction	5,183,018	-	5,183,018
Support services	1,777,791	-	1,777,791
Non-instructional programs	14,087	565,453	579,540
Other expenditures	423,767	-	423,767
Total expenses	7,398,663	565,453	7,964,116
Change in net assets before transfers	175,332	(109,410)	65,922
Transfers	(44,264)	44,264	-
CHANGE IN NET ASSETS	131,068	(65,146)	65,922
Net assets beginning of year	3,667,201	60,952	3,728,153
Net assets end of year	3,798,269	(4,194)	3,794,075

Property tax and unrestricted state grants account for 72% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,573,995 and expenses were \$7,398,663. 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.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2004 \$	Net Cost of Services 2004 \$
Instruction	5,183,018	4,133,411
Support Services	1,777,791	1,759,291
Non-instructional Programs	14,087	14,087
Other Expenses	423,767	120,805
TOTAL	<u><u>7,398,663</u></u>	<u><u>6,027,594</u></u>

- The cost financed by users of the District's programs was \$537,124. 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 \$781,825.
- The net cost of governmental activities was financed with \$6,027,594 in property and other taxes.

Business Type Activities

Revenues for business type activities were \$456,043 and expenses were \$565,453. The District's business type activities include the School Nutrition Fund and the Daycare. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income, and donations.

During the year ended June 30, 2004, the District increased meal prices \$.10 per meal for students in grades 3-12 and \$.05 for adults. This increase resulted in increased revenue to the School Nutrition Fund that the District used to balance the budget. In addition, employee benefits were reduced to control expenses.

The District Daycare losses were the result of initial start-up costs of equipment, furnishings, and remodeling. The addition of a pre-kindergarten program with the resulting revenue along with a reduction of expenses, particularly in the area of employee benefits, will enable the District to eliminate future shortfalls.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,362,900, well above last year's ending fund balances of \$1,271,044. However, the primary reason for the increase in combined fund balances in fiscal 2004 is due to approximately \$1 million of unexpended capital loan notes received in fiscal 2004.

Governmental Fund Highlights

- The District's General Fund financial position remains strong despite increased operational expenses.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$467,862 in fiscal 2003 to \$505,996 in fiscal 2004. While revenues remained approximately the same, the District reduced spending from the PPEL Fund.
- The Capital Projects Fund balance of \$761,879 increased due to the unexpected proceeds from \$1,200,000 in capital loan notes for the nutrition center building project.

Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$60,952 at June 30, 2003 to (\$4,194) at June 30, 2004, representing a decrease of approximately 102% due to operational losses in the daycare programs. The District continues to monitor the daycare operation and will take measures to reduce expenses and increase revenue.

BUDGETARY HIGHLIGHTS

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional and support services functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

The non-instructional program area was over budget due to Daycare expenses that were higher than anticipated. Nonetheless, the District remained \$470,000 under budget in total expenditures due to less spent on construction during the 2004 fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$2.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 20% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$215,387. The original cost of the District's capital assets was \$6.9 million.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$488,898 at June 30, 2004, compared to 0 reported at June 30, 2003. This significant increase resulted from construction activity financed by the issuance of voter approved capital loan notes for construction of nutrition centers. The district has entered into construction contracts totaling \$1,437,779 for the projects.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2003-2004
	2003	2004	2003	2004	2003	2004	
	\$	\$	\$	\$	\$	\$	
Land	40,000	52,000	0	0	40,000	52,000	30%
Construction in progress	0	488,898	0	0	0	488,898	
Buildings	1,192,132	1,213,119	0	0	1,192,132	1,213,119	1.76%
Improvements	243,898	224,095	0	0	243,898	224,095	-8.11%
Equipment & Furniture	456,399	342,029	32,307	35,014	488,706	377,043	-22%
TOTAL	1,932,429	2,320,141	32,307	35,014	1,964,736	2,355,155	20%

Long-Term Debt

At June 30, 2004, the District had \$1,269,864 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 1079% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

In May 2004, the District's voters authorized the issuance of \$1,200,000 in capital loan notes to pay for construction of new nutrition centers. Planning for the project started in fall of 2003 and the notes were initiated during fiscal 2004.

The District also had total outstanding Retirement Funds from the Management Fund of \$69,864 at June 30, 2004.

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

	<u>Total School District</u>		<u>Percentage Change</u>
	<u>2003</u>	<u>2004</u>	<u>2003-2004</u>
	\$	\$	
Capital Loan Notes	0	1,200,000	
Early Retirement	107,725	69,864	-35%
TOTALS	<u>107,725</u>	<u>1,269,864</u>	<u>1079%</u>

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:

- Counties have advised the District that, due to recent completion of property revaluation assessments, the District's total taxable valuation will decrease 9 percent for property tax collected in fiscal 2005.
- School financing is highly dependent upon student enrollment. The District's September 2004 enrollment decreased by 7.5 students. This drop in enrollment will decrease the District's funding for fiscal year 2006.
- The District passed a School Infrastructure Local Option Tax in 2004 which will help the District with school infrastructure needs and property tax relief for its patrons.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, two buses must be replaced during fiscal 2005 at a cost of \$94,360. To pay for these buses, the District will use resources from the Physical Plant and Equipment Levy Fund.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dr. Robert Lehman, Superintendent, or Marilyn Brocka, District Secretary/Treasurer AGWSR Community School District, 511 State Street, Ackley, Iowa, 50601.

BASIC FINANCIAL STATEMENTS

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	2,475,469	13,055	2,488,524
Receivables:			
Property tax:			
Delinquent	42,834	-	42,834
Succeeding year	3,373,555	-	3,373,555
Accounts	120	9,513	9,633
Accrued interest	6,161	-	6,161
Due from other governments	477,367	-	477,367
Interfund receivable/payable	61,671	(61,671)	-
Inventories	-	3,781	3,781
Capital assets, net of accumulated depreciation	2,320,141	35,014	2,355,155
Total assets	8,757,318	(308)	8,757,010
Liabilities			
Accounts payable	309,030	1,043	310,073
Accrued interest payable	6,600	-	6,600
Deferred revenue:			
Succeeding year property tax	3,373,555	-	3,373,555
Other	-	2,843	2,843
Long-term liabilities			
Portion due within one year:			
Capital loan notes payable	133,333	-	133,333
Early retirement	31,381	-	31,381
Portion due after one year:			
Capital loan notes payable	1,066,667	-	1,066,667
Early retirement	38,483	-	38,483
Total liabilities	4,959,049	3,886	4,962,935
Net assets			
Invested in capital assets, net of related debt	1,882,020	35,014	1,917,034
Restricted for:			
Phase III	-	-	-
Gifted and talented program	5,353	-	5,353
Iowa early intervention block grant	5,890	-	5,890
Management levy	133,103	-	133,103
Physical plant and equipment levy	505,996	-	505,996
Other special revenue purposes	84,084	-	84,084
Unrestricted	1,181,823	(39,208)	1,142,615
Total net assets	3,798,269	(4,194)	3,794,075

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	3,225,291	244,216	313,346	-
Special instruction	1,333,434	16,178	195,020	-
Other instruction	624,293	263,215	17,632	-
	<u>5,183,018</u>	<u>523,609</u>	<u>525,998</u>	<u>-</u>
Support services:				
Student services	124,771	-	-	-
Instructional staff services	146,429	-	-	-
Administration services	627,990	-	-	-
Operation and maintenance of plant services	482,388	-	-	-
Transportation services	396,213	13,515	4,985	-
	<u>1,777,791</u>	<u>13,515</u>	<u>4,985</u>	<u>-</u>
Non-instructional programs	<u>14,087</u>	-	-	-
Other expenditures:				
Facilities acquisition	65,308	-	-	52,120
Long-term debt interest	6,600	-	-	-
AEA flowthrough	250,842	-	250,842	-
Depreciation (unallocated)*	101,017	-	-	-
	<u>423,767</u>	<u>-</u>	<u>250,842</u>	<u>52,120</u>
Total governmental activities	<u>7,398,663</u>	<u>537,124</u>	<u>781,825</u>	<u>52,120</u>
Business type activities:				
Non-instructional programs:				
Food service operations	281,712	133,298	130,937	-
Daycare	283,741	173,508	17,246	-
Total business-type activities	<u>565,453</u>	<u>306,806</u>	<u>148,183</u>	<u>-</u>
Total	<u>7,964,116</u>	<u>843,930</u>	<u>930,008</u>	<u>52,120</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

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

See notes to financial statements.

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(2,667,729)	-	(2,667,729)
(1,122,236)	-	(1,122,236)
(343,446)	-	(343,446)
<u>(4,133,411)</u>	<u>-</u>	<u>(4,133,411)</u>
(124,771)	-	(124,771)
(146,429)	-	(146,429)
(627,990)	-	(627,990)
(482,388)	-	(482,388)
(377,713)	-	(377,713)
<u>(1,759,291)</u>	<u>-</u>	<u>(1,759,291)</u>
<u>(14,087)</u>	<u>-</u>	<u>(14,087)</u>
(13,188)	-	(13,188)
(6,600)	-	(6,600)
-	-	-
<u>(101,017)</u>	<u>-</u>	<u>(101,017)</u>
<u>(120,805)</u>	<u>-</u>	<u>(120,805)</u>
<u>(6,027,594)</u>	<u>-</u>	<u>(6,027,594)</u>
-	(17,477)	(17,477)
-	(92,987)	(92,987)
-	(110,464)	(110,464)
<u>(6,027,594)</u>	<u>(110,464)</u>	<u>(6,138,058)</u>
2,921,267	-	2,921,267
186,116	-	186,116
375,582	-	375,582
17,139	-	17,139
2,638,580	-	2,638,580
40,643	1,054	41,697
23,599	-	23,599
<u>6,202,926</u>	<u>1,054</u>	<u>6,203,980</u>
<u>(44,264)</u>	<u>44,264</u>	<u>-</u>
<u>6,158,662</u>	<u>45,318</u>	<u>6,203,980</u>
131,068	(65,146)	65,922
<u>3,667,201</u>	<u>60,952</u>	<u>3,728,153</u>
<u>3,798,269</u>	<u>(4,194)</u>	<u>3,794,075</u>

AGWSR COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2004

	General Fund	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	714,567	970,697	502,720	287,485	2,475,469
Receivables:					
Property tax:					
Delinquent	38,234	-	2,544	2,056	42,834
Succeeding year	3,069,522	-	154,033	150,000	3,373,555
Accounts	120	-	-	-	120
Accrued interest	3,597	1,707	732	125	6,161
Interfund receivable	61,671	-	-	-	61,671
Due from other governments	275,510	6,011	195,846	-	477,367
Total assets	4,163,221	978,415	855,875	439,666	6,437,177
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	89,885	216,536	-	2,609	309,030
Deferred revenue:					
Succeeding year property tax	3,069,522	-	154,033	150,000	3,373,555
Other	195,846	-	195,846	-	391,692
Total liabilities	3,355,253	216,536	349,879	152,609	4,074,277
Fund balances:					
Reserved for:					
Gifted and talented program	5,353	-	-	-	5,353
Iowa early intervention block grant	5,890	-	-	-	5,890
Unreserved reported in:					
General Fund	796,725	-	-	-	796,725
Capital Projects Fund	-	761,879	-	-	761,879
Special Revenue Funds	-	-	505,996	287,057	793,053
Total fund balances	807,968	761,879	505,996	287,057	2,362,900
Total liabilities and fund balances	4,163,221	978,415	855,875	439,666	6,437,177

AGWSR COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

Total fund balances of governmental funds (Exhibit C)	2,362,900
<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.	2,320,141
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	391,692
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	(6,600)
Long-term liabilities, including capital loan notes payable and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(1,269,864)</u>
Net assets of governmental activities (Exhibit A)	<u><u>3,798,269</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	General Fund	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,946,576	17,139	186,120	149,114	3,298,949
Tuition	219,653	-	-	-	219,653
Other	100,739	1,918	20,255	319,246	442,158
State sources	3,145,204	-	-	-	3,145,204
Federal sources	262,743	-	-	-	262,743
Total revenues	<u>6,674,915</u>	<u>19,057</u>	<u>206,375</u>	<u>468,360</u>	<u>7,368,707</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	3,166,838	-	17,645	51,791	3,236,274
Special instruction	1,333,434	-	-	-	1,333,434
Other instruction	364,088	-	-	252,683	616,771
	<u>4,864,360</u>	<u>-</u>	<u>17,645</u>	<u>304,474</u>	<u>5,186,479</u>
Support services:					
Student services	120,982	-	-	-	120,982
Instructional staff services	135,259	-	-	-	135,259
Administration services	611,742	-	-	19,391	631,133
Operation and maintenance of plant services	455,211	-	13,905	11,725	480,841
Transportation services	332,560	-	-	13,571	346,131
	<u>1,655,754</u>	<u>-</u>	<u>13,905</u>	<u>44,687</u>	<u>1,714,346</u>
Non-instructional programs	4,612	-	6,200	9,475	20,287
Other expenditures:					
Facilities acquisition	-	457,178	147,016	64,213	668,407
AEA flowthrough	250,842	-	-	-	250,842
	<u>250,842</u>	<u>457,178</u>	<u>147,016</u>	<u>64,213</u>	<u>919,249</u>
Total expenditures	<u>6,775,568</u>	<u>457,178</u>	<u>184,766</u>	<u>422,849</u>	<u>7,840,361</u>
Excess (deficiency) of revenues over (under) expenditures:	<u>(100,653)</u>	<u>(438,121)</u>	<u>21,609</u>	<u>45,511</u>	<u>(471,654)</u>
Other financing sources (uses):					
Proceeds from long-term loans	-	-	1,200,000	-	1,200,000
Sales of equipment and real property	4,069	-	16,525	-	20,594
Operating transfers in	-	1,200,000	-	-	1,200,000
Operating transfers out	(38,064)	-	(1,200,000)	-	(1,238,064)
Total other financing sources (uses)	<u>(33,995)</u>	<u>1,200,000</u>	<u>16,525</u>	<u>-</u>	<u>1,182,530</u>
Net change in fund balances	(134,648)	761,879	38,134	45,511	710,876
Fund balances beginning of year, as restated	942,616	-	467,862	241,546	1,652,024
Fund balances end of year	<u>807,968</u>	<u>761,879</u>	<u>505,996</u>	<u>287,057</u>	<u>2,362,900</u>

AGWSR 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, 2004

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		710,876
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year as follows:		
Expenditures for capital assets	603,099	
Depreciation expense	<u>(215,387)</u>	387,712
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.		201,219
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.		(6,600)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows		
Early retirement		37,861
Proceeds from issuing liabilities long-term debt issuance are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		<u>(1,200,000)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>131,068</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2004

	Nonmajor Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	13,055
Accounts receivable	9,513
Inventories	3,781
Capital assets, net of accumulated depreciation	<u>35,014</u>
Total assets	<u>61,363</u>
Liabilities	
Accounts payable	1,043
Interfund payables	61,671
Deferred revenue	<u>2,843</u>
Total liabilities	<u>65,557</u>
Net assets	
Invested in capital assets, net of related debt	35,014
Unrestricted	<u>(39,208)</u>
Total net assets	<u><u>(4,194)</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Nonmajor Funds
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>306,806</u>
Operating expenses:	
Non-instructional programs:	
Salaries	268,777
Benefits	105,025
Purchased services	31,810
Supplies	155,140
Depreciation	4,683
Other	18
	<u>565,453</u>
Operating gain (loss)	<u>(258,647)</u>
Non-operating revenue:	
State sources	3,993
Federal sources	131,564
Donations	12,626
Interest income	1,054
Total non-operating revenue	<u>149,237</u>
Gain (loss) before contributions and transfers	(109,410)
Capital contributions	6,200
Transfers in	<u>38,064</u>
Change in net assets	(65,146)
Net assets beginning of year	<u>60,952</u>
Net assets end of year	<u><u>(4,194)</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2004

	Nonmajor Funds
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	133,636
Cash received from daycare services	164,112
Cash payments to employees for services	(373,802)
Cash payments to suppliers for goods or services	(156,770)
Net cash used by operating activities	<u>(232,824)</u>
Cash flows from non-capital financing activities:	
Loans from other funds	61,671
Transfers from other funds	38,064
Donations	12,626
State grants received	3,993
Federal grants received	104,913
Net cash provided by non-capital financing activities	<u>221,267</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(1,190)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,054</u>
Net increase (decrease) in cash and cash equivalents	(11,693)
Cash and cash equivalents at beginning of year	<u>24,748</u>
Cash and cash equivalents at end of year	<u><u>13,055</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(258,647)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	26,651
Depreciation	4,683
Decrease (increase) in inventories	2,930
Decrease (increase) in accounts receivable	(9,513)
(Decrease) increase in accounts payable	617
(Decrease) increase in deferred revenue	455
Net cash used in operating activities	<u><u>(232,824)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$26,651 of federal commodities.

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2004

Nonmajor
Funds

\$

The School Nutrition Fund also received \$6,200 of equipment that was purchased by other funds

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2004

	Private Purpose Trust Scholarship	Agency
	\$	\$
Assets		
Cash and pooled investments	<u>27,102</u>	<u>1,572</u>
Liabilities		
Other payables	<u>-</u>	<u>1,572</u>
Net Assets		
Reserved for student special needs	427	-
Reserved for scholarships	<u>26,675</u>	<u>-</u>
Total net assets	<u><u>27,102</u></u>	<u><u>-</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2004

	Private Purpose Trust Scholarship <u> </u> \$
Additions:	
Local sources:	
Gifts and contributions	1,000
Interest	654
Total additions	<u>1,654</u>
Deductions:	
Support services:	
Scholarships awarded	<u>589</u>
Change in net assets	1,065
Net assets beginning of year	<u>26,037</u>
Net assets end of year	<u><u>27,102</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Year ended June 30, 2004

1. Summary of Significant Accounting Policies

AGWSR 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 Ackely, Geneva, Wellsburg and Steamboat Rock, Iowa and the predominately agricultural territory in a portion of Grundy, Franklin and Butler 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, AGWSR 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 AGWSR Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The Physical Plant and Equipment Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the physical plant and equipment property tax levy.

The District's proprietary funds include the Enterprise, School Nutrition Fund that is used to account for the food service operations of the District and the Enterprise, Daycare Fund that is used to account for a daycare programs in Ackley and Wellsburg that are run by the District.

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

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

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, 2002 assessed property valuations; is for the tax accrual period July 1, 2003, through June 30, 2004, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District terminates.

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, 2004, disbursements in the non-instructional programs function exceeded the amount budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
General Fund	Enterprise Daycare Fund	61,671

The General Fund loaned money to the Daycare Fund during the year for cash flow purposes. The Daycare Fund will repay the loan over several years.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
		\$
Capital Projects Fund	Special Revenue: Physical Plant and Equipment Levy Fund	1,200,000
Enterprise Daycare Fund	General Fund	38,064
Enterprise School Nutrition Fund	Special Revenue: Physical Plant and Equipment Levy Fund	6,200

The transfer between the Physical Plant and Equipment Levy Fund and the Capital Projects Fund moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Money was transferred from the General Fund to the Daycare Fund to start the program.

The \$6,200 transfer reflects equipment purchased by the Physical Plant and Equipment Levy Fund that is used for the school nutrition program.

5. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	-	488,898	-	488,898
Land	40,000	12,000	-	52,000
Total capital assets not being depr.	<u>40,000</u>	<u>500,898</u>	<u>-</u>	<u>540,898</u>
Capital assets being depreciated:				
Buildings	4,203,610	92,341	-	4,295,951
Improvements other than buildings	588,340	9,860	-	598,200
Furniture and equipment	1,465,379	-	-	1,465,379
Total capital assets being deprec.	<u>6,257,329</u>	<u>102,201</u>	<u>-</u>	<u>6,359,530</u>

Less accumulated depreciation for:				
Buildings	3,011,478	71,354	-	3,082,832
Improvements other than buildings	344,442	29,663	-	374,105
Furniture and equipment	<u>1,008,980</u>	<u>114,370</u>	-	<u>1,123,350</u>
Total accumulated depreciation	<u>4,364,900</u>	<u>215,387</u>	-	<u>4,580,287</u>
Total capital assets being depreciated, net	<u>1,892,429</u>	<u>(113,186)</u>	-	<u>1,779,243</u>
Governmental activities capital assets, net	<u>1,932,429</u>	<u>387,712</u>	-	<u>2,320,141</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Business type activities:				
Furniture and equipment	143,532	7,390	1,994	148,928
Less accumulated depreciation	<u>111,225</u>	<u>4,683</u>	<u>1,994</u>	<u>113,914</u>
Business type activities capital assets, net	<u>32,307</u>	<u>2,707</u>	-	<u>35,014</u>

Depreciation expense was charged by the District as follows:

	\$
Governmental activities:	
Instruction:	
Regular	26,878
Other	7,522
Support Services:	
Student services	3,789
Instructional staff services	11,170
Administration services	13,382
Operation and maintenance of plant services	1,547
Transportation	<u>50,082</u>
	114,370
Unallocated depreciation	<u>101,017</u>
Total depreciation expense – governmental activities	<u>215,387</u>
Business type activities:	
Food service operations	<u>4,683</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Capital loan notes	-	1,200,000	-	1,200,000	133,333
Early retirement	<u>107,725</u>	-	<u>37,861</u>	<u>69,864</u>	<u>31,381</u>
Total	<u>107,725</u>	<u>1,200,000</u>	<u>37,861</u>	<u>1,269,864</u>	<u>164,714</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age **fifty-five** and must have completed **fifteen** years of service to the District. The District's early retirement program terminates on June 15, of each year and the adoption of policy must be approved by the board annually. Employees must complete an application which is subject to approval by the Board of Education. Early retirement expenditures for the year ended June 30, **2004** totaled **\$37,861**.

Capital Loan Notes

The District issued **\$1,200,000** of capital loan notes during the year ended **June 30, 2004**. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005	3.30	133,333	39,600	172,933
2006	3.30	133,333	35,200	168,533
2007	3.30	133,333	30,800	164,133
2008	3.30	133,333	26,400	159,733
2009	3.30	133,333	22,000	155,333
2010-2013	3.30	533,335	44,000	577,335
		<u>1,200,000</u>	<u>198,000</u>	<u>1,398,000</u>

During the year ended June 30, **2004** no principal or interest payments were made on the notes.

7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, **2004**, **2003**, and **2002** were **\$227,511**, **\$213,618**, and **\$221,550** respectively, equal to the required contributions for each year.

8. Risk Management

AGWSR Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision, and prescription drugs.

Each member's contributions to ISEBA fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. The District's annual contributions to ISEBA for the year ended June 30, 2004, were \$584,432.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$250,842 for the year ended June 30, 2004, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Construction Commitment

The District has entered into a contract totaling \$1,437,779 for cafeteria construction, improvements and equipment. As of June 30, 2004 costs of \$449,872 had been incurred against the contract. The balance remaining at June 30, 2004 will be paid as work on the project progresses.

11. Accounting Change and Restatement

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-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. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities, and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	General	Capital Projects	PPEL	Nonmajor	Total
	\$	\$	\$	\$	\$
Net assets, June 30, 2003 as previously reported	942,616	-	467,862	208,562	1,619,040
Reclassification of District Support Trusts	-	-	-	32,984	32,984
GASB Interpretation 6 adjustments	-	-	-	-	-
Net assets, July 1, 2003, as restated for Governmental funds	<u>942,616</u>	<u>-</u>	<u>467,862</u>	<u>241,546</u>	<u>1,652,024</u>
GASB 34 adjustments:					
Capital assets net of accumulated Depreciation of \$4,364,900					1,932,429
Long-term liabilities:					
Early retirement					(107,725)
Deferred revenue					<u>190,473</u>
Net assets, July 1, 2003 as restated					<u>3,667,201</u>

12. Deficit Net Assets

The Enterprise Daycare Fund has a deficit net asset balance of \$53,292 at June 30, 2004.

REQUIRED SUPPLEMENTARY INFORMATION

AGWSR COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	3,936,259	311,428	4,247,687	4,539,170	4,539,170	(291,483)
State sources	3,146,201	3,993	3,150,194	3,248,298	3,248,298	(98,104)
Federal sources	260,981	131,564	392,545	293,000	293,000	99,545
Total receipts	<u>7,343,441</u>	<u>446,985</u>	<u>7,790,426</u>	<u>8,080,468</u>	<u>8,080,468</u>	<u>(290,042)</u>
Disbursements:						
Instruction	5,175,934	-	5,175,934	5,322,000	5,322,000	146,066
Support services	1,715,386	-	1,715,386	2,109,500	2,109,500	394,114
Non-instructional programs	20,287	558,413	578,700	412,000	412,000	(166,700)
Other expenditures	706,113	-	706,113	1,178,065	1,178,065	471,952
Total disbursements	<u>7,617,720</u>	<u>558,413</u>	<u>8,176,133</u>	<u>9,021,565</u>	<u>9,021,565</u>	<u>845,432</u>
Excess (deficiency) of receipts over (under) disbursements	(274,279)	(111,428)	(385,707)	(941,097)	(941,097)	555,390
Other financing sources (uses) net	<u>1,120,859</u>	<u>99,735</u>	<u>1,220,594</u>	<u>-</u>	<u>-</u>	<u>1,220,594</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	846,580	(11,693)	834,887	(941,097)	(941,097)	1,775,984
Balance beginning of year	<u>1,628,889</u>	<u>24,748</u>	<u>1,653,637</u>	<u>1,476,064</u>	<u>1,476,064</u>	<u>177,573</u>
Balance end of year	<u><u>2,475,469</u></u>	<u><u>13,055</u></u>	<u><u>2,488,524</u></u>	<u><u>534,967</u></u>	<u><u>534,967</u></u>	<u><u>1,953,557</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
	\$	\$	\$
Revenues	7,343,441	25,266	7,368,707
Expenditures	7,617,720	222,641	7,840,361
Net	<u>(274,279)</u>	<u>(197,375)</u>	<u>(471,654)</u>
Other financing sources (uses) net	1,120,859	61,671	1,182,530
Beginning fund balances	<u>1,628,889</u>	<u>23,135</u>	<u>1,652,024</u>
Ending fund balances	<u><u>2,475,469</u></u>	<u><u>(112,569)</u></u>	<u><u>2,362,900</u></u>

	<u>Proprietary Fund Type</u>		
	<u>Enterprise</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Accrual Basis</u>
	\$	\$	\$
Revenues	446,985	9,058	456,043
Expenditures	558,413	7,040	565,453
Net	<u>(111,428)</u>	<u>2,018</u>	<u>(109,410)</u>
Other financing sources (uses) net	99,735	(55,471)	44,264
Beginning fund balances	<u>24,748</u>	<u>36,204</u>	<u>60,952</u>
Ending fund balances	<u><u>13,055</u></u>	<u><u>(17,249)</u></u>	<u><u>(4,194)</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the [cash basis](#). Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. [The District did not amend the budget during the year.](#)

During the year ended June 30, [2004](#), disbursements in the [non-instructional programs](#) function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

AGWSR COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds			Total
	Management	Student	District	
	Levy	Activity	Support	
		Trust Funds		
	\$	\$	\$	\$
Cash and pooled investments	200,792	61,327	25,366	287,485
Receivables:				
Property tax:				
Delinquent	2,056	-	-	2,056
Succeeding year	150,000	-	-	150,000
Accrued interest	125	-	-	125
Total assets	352,973	61,327	25,366	439,666
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	2,467	142	2,609
Deferred revenue:				
Succeeding year property tax	150,000	-	-	150,000
Total liabilities	150,000	2,467	142	152,609
Fund balances:				
Unreserved fund balance	202,973	58,860	25,224	287,057
Total liabilities and fund balances	352,973	61,327	25,366	439,666

AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Special Revenue Funds			Total
	Management	Student	District	
	Levy	Activity Fund	Support Trust Funds	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	149,114	-	-	149,114
Other	2,907	190,727	125,612	319,246
Total revenues	<u>152,021</u>	<u>190,727</u>	<u>125,612</u>	<u>468,360</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	51,791	-	-	51,791
Other instruction	-	183,524	69,159	252,683
Support services:				
Administration services	19,391	-	-	19,391
Operation and maintenance of plant services	11,725	-	-	11,725
Transportation services	13,571	-	-	13,571
Non-instructional programs	9,475	-	-	9,475
Other expenditures:				
Facilities acquisition	-	-	64,213	64,213
Total expenditures	<u>105,953</u>	<u>183,524</u>	<u>133,372</u>	<u>422,849</u>
Excess (deficiency) of revenues over (under) expenditures	46,068	7,203	(7,760)	45,511
Fund balance beginning of year, as restated	<u>156,905</u>	<u>51,657</u>	<u>32,984</u>	<u>241,546</u>
Fund balance end of year	<u>202,973</u>	<u>58,860</u>	<u>25,224</u>	<u>287,057</u>

Combining Schedule of Net Assets
Nonmajor Proprietary Funds

June 30, 2004

	<u>Nonmajor Enterprise Funds</u>		
	School Nutrition	Daycare	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	13,055	-	13,055
Accounts receivable	117	9,396	9,513
Inventories	3,781	-	3,781
Capital assets, net of accumulated depreciation	35,014	-	35,014
Total assets	<u>51,967</u>	<u>9,396</u>	<u>61,363</u>
Liabilities			
Accounts payable	26	1,017	1,043
Interfund payables	-	61,671	61,671
Deferred revenue	2,843	-	2,843
Total liabilities	<u>2,869</u>	<u>62,688</u>	<u>65,557</u>
Net assets			
Invested in capital assets, net of related debt	35,014	-	35,014
Unrestricted	14,084	(53,292)	(39,208)
Total net assets	<u><u>49,098</u></u>	<u><u>(53,292)</u></u>	<u><u>(4,194)</u></u>

Combining Schedule of Revenues, Expenses, and Changes in Net Assets
Nonmajor Proprietary Funds

Year ended June 30, 2004

	<u>Nonmajor Enterprise Funds</u>		
	<u>School Nutrition</u>	<u>Daycare</u>	<u>Total</u>
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	<u>133,298</u>	<u>173,508</u>	<u>306,806</u>
Operating expenses:			
Non-instructional programs:			
Salaries	100,416	168,361	268,777
Benefits	46,581	58,444	105,025
Purchased services	2,290	29,520	31,810
Supplies	127,742	27,398	155,140
Depreciation	4,683	-	4,683
Other	-	18	18
	<u>281,712</u>	<u>283,741</u>	<u>565,453</u>
Operating gain (loss)	<u>(148,414)</u>	<u>(110,233)</u>	<u>(258,647)</u>
Non-operating revenue:			
State sources	3,993	-	3,993
Federal sources	126,944	4,620	131,564
Donations	-	12,626	12,626
Interest income	1,054	-	1,054
Total non-operating revenue	<u>131,991</u>	<u>17,246</u>	<u>149,237</u>
Gain (loss) before contributions and transfers	<u>(16,423)</u>	<u>(92,987)</u>	<u>(109,410)</u>
Capital contributions	6,200	-	6,200
Transfers in	<u>-</u>	<u>38,064</u>	<u>38,064</u>
Change in net assets	<u>(10,223)</u>	<u>(54,923)</u>	<u>(65,146)</u>
Net assets beginning of year	<u>59,321</u>	<u>1,631</u>	<u>60,952</u>
Net assets end of year	<u><u>49,098</u></u>	<u><u>(53,292)</u></u>	<u><u>(4,194)</u></u>

Combining Schedule of Cash Flows
Nonmajor Proprietary Funds

Year ended June 30, 2004

	<u>Nonmajor Enterprise Funds</u>		
	School Nutrition	Daycare	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	133,636	-	133,636
Cash received from daycare services	-	164,112	164,112
Cash payments to employees for services	(146,997)	(226,805)	(373,802)
Cash payments to suppliers for goods or services	(100,425)	(56,345)	(156,770)
Net cash used by operating activities	<u>(113,786)</u>	<u>(119,038)</u>	<u>(232,824)</u>
Cash flows from non-capital financing activities:			
Loans from other funds	-	61,671	61,671
Transfers from other funds	-	38,064	38,064
Donations	-	12,626	12,626
State grants received	3,993	-	3,993
Federal grants received	100,293	4,620	104,913
Net cash provided by non-capital financing activities	<u>104,286</u>	<u>116,981</u>	<u>221,267</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(1,190)</u>	<u>-</u>	<u>(1,190)</u>
Cash flows from investing activities:			
Interest on investments	<u>1,054</u>	<u>-</u>	<u>1,054</u>
Net increase (decrease) in cash and cash equivalents	(9,636)	(2,057)	(11,693)
Cash and cash equivalents at beginning of year	<u>22,691</u>	<u>2,057</u>	<u>24,748</u>
Cash and cash equivalents at end of year	<u><u>13,055</u></u>	<u><u>-</u></u>	<u><u>13,055</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(148,414)	(110,233)	(258,647)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	26,651	-	26,651
Depreciation	4,683	-	4,683
Decrease (increase) in inventories	2,930	-	2,930
Decrease (increase) in accounts receivable	(117)	(9,396)	(9,513)
(Decrease) increase in accounts payable	26	591	617
(Decrease) increase in deferred revenue	455	-	455
Net cash used in operating activities	<u><u>(113,786)</u></u>	<u><u>(119,038)</u></u>	<u><u>(232,824)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$26,651 of federal commodities.

The School Nutrition Fund also received \$6,200 of equipment that was purchased by other funds

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund,
Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
All athletics	2,577	10,479	6,986	(2,411)	3,659
Football	5,818	14,658	10,708	(1,003)	8,765
Volleyball	(315)	1,311	1,503	315	(192)
Boys basketball	9,392	10,160	8,053	(935)	10,564
Girls basketball	8,333	4,402	2,826	(971)	8,938
Wrestling	1,618	2,629	1,711	(100)	2,436
Boys track	40	317	1,250	-	(893)
Girls track	865	71	505	(128)	303
Boys golf	(237)	423	629	237	(206)
Girls golf	(144)	-	273	144	(273)
Baseball	(638)	3,024	3,688	638	(664)
Softball	111	5,011	4,044	-	1,078
Tennis	(28)	1,058	1,235	28	(177)
MS football	(1,003)	-	944	1,003	(944)
MS volleyball	(693)	408	701	693	(293)
MS boys basketball	(935)	-	495	935	(495)
MS girls basketball	(944)	-	765	944	(765)
MS wrestling	(100)	-	120	100	(120)
MS boys track	8	120	1,057	-	(929)
MS girls track	(128)	120	1,164	128	(1,044)
MS baseball	330	695	1,852	248	(579)
MS Softball	53	642	2,864	433	(1,736)
Weightlifting	1,530	2,256	1,886	-	1,900
Little league	17	-	-	-	17
Youth basketball	1,308	856	1,864	-	300
Volleyball camp	133	-	-	-	133
MS athletics	681	-	-	(681)	-
Youth football	-	5,071	4,321	-	750
Art club	90	-	-	-	90
A-G band trip	5,664	19,324	11,424	(943)	12,621
Cheerleaders	(213)	883	1,066	213	(183)
Drama	662	518	409	-	771
FFA	4,744	18,742	19,784	(250)	3,452
FCCLA	767	3,288	4,062	250	243
National Honor Society	175	429	351	-	253
Photo club	110	-	-	-	110
Foreign language club	189	4,450	2,236	1,093	3,496
Student council	6,086	17,618	19,645	(175)	3,884
Cougar impact	2,414	9,271	6,820	-	4,865
MS student council	267	59	191	-	135

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund,
Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
MS cheerleaders	250	-	-	-	250
MS drama	2,986	-	1,000	-	1,986
AV club	216	-	-	-	216
Dinner theatre	136	-	-	-	136
Special - ag marketing classes	25	-	-	-	25
MS awards	208	-	-	-	208
MS band	2,241	-	-	-	2,241
Drill team	(195)	4,559	4,357	195	202
Fall musical	647	1,337	2,195	-	(211)
Elementary musical	157	336	622	-	(129)
Torch	(1,986)	14,083	15,938	-	(3,841)
Material for resale	(509)	7,365	7,303	-	(447)
Athletic resale	306	-	-	-	306
MS snack account	(285)	9,004	8,969	-	(250)
Class of 2000	19	-	-	-	19
Class of 2003	154	-	106	-	48
Class of 2004	1,611	1,500	3,111	-	-
Class of 2005	490	13,890	13,442	-	938
Class of 2006	-	360	-	-	360
June 30, 2004 accrual entries	-	-	2,467	-	(2,467)
June 30,2003 accrual entries	(3,418)	-	(3,418)	-	-
Total	51,657	190,727	183,524	-	58,860

Schedule of Changes in Special Revenue Fund,
District Support Trust Accounts

Year ended June 30, 2004

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
After prom	2,190	16,899	15,824	3,265
Couger gym improvement	3,779	15	86	3,708
Wellsburg daycare improvements	11,264	52,120	60,391	2,993
Booster club	11,838	48,733	51,085	9,486
Mat club	373	-	-	373
PTA	3,540	7,845	5,986	5,399
	<u>32,984</u>	<u>125,612</u>	<u>133,372</u>	<u>25,224</u>

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2004

	Elementary Employee Vending	HS Employee Vending	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balance beginning of year	1,299	364	1,663
Additions:			
Miscellaneous	866	778	1,644
Deductions:			
Miscellaneous	<u>672</u>	<u>1,063</u>	<u>1,735</u>
Balance end of year	<u><u>1,493</u></u>	<u><u>79</u></u>	<u><u>1,572</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

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

For the Last Three Years

	Modified Accrual Basis		
	2004	2003	2002
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	3,298,949	3,351,047	3,110,174
Tuition	219,653	222,359	201,583
Other	442,158	427,858	392,168
State sources	3,145,204	3,309,831	3,285,142
Federal sources	262,743	233,848	226,101
Total revenues	<u>7,368,707</u>	<u>7,544,943</u>	<u>7,215,168</u>
Expenditures:			
Instruction:			
Regular instruction	3,236,274	3,197,706	3,328,075
Special instruction	1,333,434	1,306,469	1,134,976
Other instruction	616,771	615,720	642,498
Support services:			
Student services	120,982	171,815	221,728
Instructional staff services	135,529	164,255	168,962
Administration services	631,133	491,771	542,108
Operation and maintenances of plant services	480,841	444,004	440,803
Transportation services	346,131	372,151	366,862
Non-instructional programs	20,287	10,559	4,065
Other expenditures:			
Facilities acquisition	668,407	79,325	168,451
AEA flowthrough	250,842	268,267	269,313
Total expenditures	<u>7,840,631</u>	<u>7,122,042</u>	<u>7,287,841</u>

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

To the Board of Education of the
AGWSR Community School District:

We have audited the financial statements of the AGWSR Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 8, 2004. 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 AGWSR 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 grants, noncompliance 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 noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance 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, 2004 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. Prior year statutory comments have all been resolved except for item 04-II-G.

Internal Control over Financial Reporting

In planning and performing our audit, we considered AGWSR Community School District'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. 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 judgement, 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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items 04-I-A, 04-I-B and 04-I-C are material weaknesses. Prior year reportable conditions have all been resolved except for items 04-I-A, 04-I-B and 04-I-C.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the AGWSR Community School District and other parties to whom the 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 AGWSR 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

September 8, 2004

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

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

Conclusion: Response accepted.

04-I-B Check Signing: We noted that the District uses its computer software to print the signatures of the Board President and Board Secretary on checks, as the checks are printed by the computer. It is possible for one person to enter invoices, issue the command to print checks and to receive the checks from the computer center. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate another person to cosign checks when the Board President is not available.

District Response: We will discuss methods to remain efficient, yet have adequate controls.

Conclusion: Response accepted.

04-I-C Supporting Documentation: We noted three Student Activity Fund payments and one General Fund payment that were not supported by invoices or receipts.

Recommendation: The District should have sufficient documentation such as an invoice, receipt, contract, entry form, or registration form for all disbursements.

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

Conclusion: Response accepted.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

04-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amount approved at one bank was exceeded during the year ended June 30, 2004.

Recommendation: The District should increase the maximum dollar amount allowed by its depository resolution so that the maximum will not be exceeded during the times when cash flow of the District is the greatest.

District Response: We will increase the maximum deposit amount allowed by our depository resolution.

Conclusion: Response accepted.

04-II-B Certified Budget: Disbursements for the year ended June 30, 2004, exceeded the amount budgeted in the non-instructional programs function.

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

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

04-II-C Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

04-II-D Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

04-II-E Business Transactions: We noted no transactions between the District and District officials or employees.

04-II-F Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

04-II-G Board Minutes: No transactions requiring board approval that had not been approved by the board were noted. We did note that the minutes were not published in a timely manner as required by the Code of Iowa.

Recommendation: Minutes should be published within two weeks of the meeting as required by the Code of Iowa.

District Response: Our local paper is published weekly which make it difficult to get the minutes published within the time required. We will try to get the minutes to the newspaper sooner.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

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

Conclusion: Response accepted.

04-II-H Certified Enrollment: The calculations for supplemental weighting on line 12 of the Certified Enrollment Certification Form for September 2003, included 3 open enrollment in students and one home schooled student.

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

District Response: We will contact these departments.

Conclusion: Response accepted.

04-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

04-II-J Certified Annual Report (CAR): We reviewed a draft copy of the CAR, and noted no significant deficiencies in the amounts reported.

04-II-K Deficit Balances: The District has a deficit net assets balance in the Enterprise, Daycare Fund of \$53,292 at June 30, 2004.

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

District Response: We have cut employee benefits and cut staff for the next fiscal year.

Conclusion: Response accepted.

04-II-L Allocation of Interest: We noted that interest from a pooled bank account is not being allocated to the Capital Projects, Local Option Sales Tax Fund.

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

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

Conclusion: Response accepted.

04-II-M Withholding on Payments to Employees: We noted one employee who received payment for referee services. Payroll taxes were not withheld from the referee payments and the payments were not included on the employee's W-2.

Recommendation: All payments to employees for services are subject to payroll taxes and W-2 reporting.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

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

District Response: We will change our reporting on these payments to comply with payroll reporting requirements.

Conclusion: Response accepted.

04-II-N Construction Contract Change Orders: We noted that the Board of Directors did not approve change orders.

Recommendation: All contract changes should be approved by the Board and documented in the minutes.

District Response: All future contract changes will be documented in the minutes.

Conclusion: Response accepted.

04-II-O Fund Transfers: We noted \$38,064 of fund transfers between the [General Fund](#) and the [Enterprise Daycare Fund](#) for which we could find no documentation of approval by the board.

Recommendation: All fund transfers should be approved by the board and documented in the minutes.

District Response: We will document approval of all fund transfers in the future.

Conclusion: Response accepted.