

ANITA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

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Anita Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2003 Election)</b>		
Dr. Gerald Wessels	President	2003
Phyllis Nichols	Vice-President	2003
Judy Marnin	Board Member	2005
Randall Rabe	Board Member	2004
Jeff Gregersen	Board Member	2004

<b>Board of Education (After September 2003 Election)</b>		
Dr. Gerald Wessels	President	2006
Phyllis Nichols	Board Member	2006
Judy Marnin	Board Member	2005
Randall Rabe	Board Member	2004
Jeff Gregersen	Board Member	2004

**School Officials**

Dan Crozier	Superintendent	2004
Glenda Nelsen	District Secretary/ Treasurer	2004
Sue Seitz	Attorney	2004

# NOLTE, CORNMAN & JOHNSON P.C.

## Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

### INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Anita Community School District 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 that 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, business-type activities, each major fund, and the aggregate remaining fund information of the Anita Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

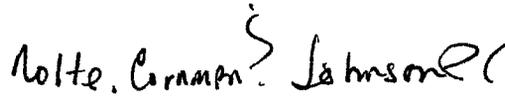
As described in Note 8 to the financial statements, during the year ended June 30, 2004, Anita Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement 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; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 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 report dated November 30, 2004, on our consideration of the Anita Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of

laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing 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. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Anita Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 5, 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.

  
NOLTE, CORNMAN & JOHNSON, P.C.

November 30, 2004

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

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Anita 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.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### **2004 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,508,583 in fiscal 2003 to \$2,711,613 in fiscal 2004, while General Fund expenditures increased from \$2,467,459 in fiscal 2003 to \$2,670,902 in fiscal 2004. This resulted in an increase in the District's General Fund balance from \$637,951 in fiscal 2003 to a balance of \$678,662 in fiscal 2004, a 6% increase from the prior year.
- The fiscal year ending June 30, 2004 was the first year to whole grade share with C&M Community School District. The Anita Community School District has all of the 9-12<sup>th</sup> graders and we send our 6-8 graders to Massena (C&M Community School District).
- Our bus barn was insulated and waterproofed at a cost of \$9,109. A York furnace was also purchased at a cost of \$10,600.
- The industrial class held at the bus barn was electrically upgraded and the equipment was upgraded causing additional expenditures.
- A Fire Safety Grant was received with various supplies, labor and services to meet requirements.

### **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 Anita 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 Anita 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 Anita Community

School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

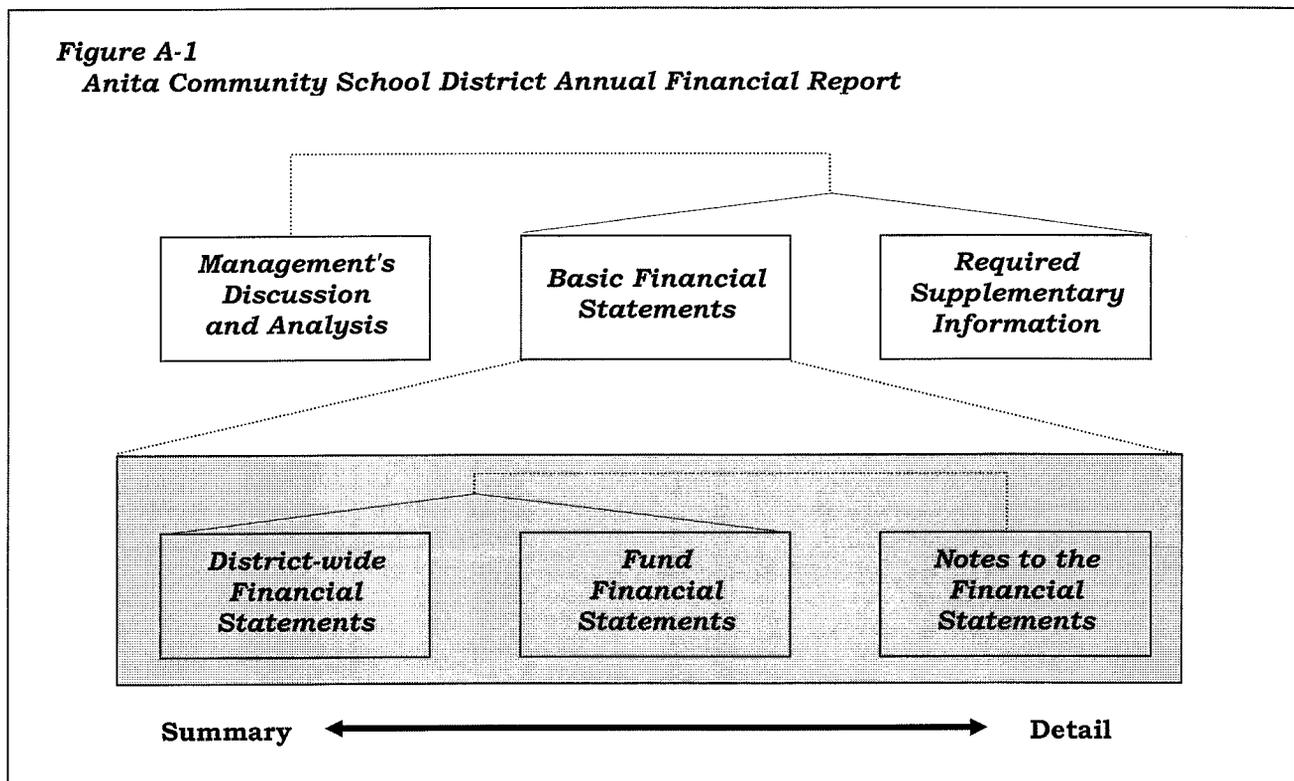


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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## 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 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, and Capital Projects Fund.

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

- 3) *Fiduciary funds*: The District is the trustee, of fiduciary, for assets that belong to others. These funds include the Agency 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.

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 the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Current and other assets	\$ 1,702,418	20,711	1,723,129
Capital Assets	1,564,883	9,172	1,574,055
Total assets	<u>3,267,301</u>	<u>29,883</u>	<u>3,297,184</u>
Other liabilities	932,629	784	933,413
Total liabilities	<u>932,629</u>	<u>784</u>	<u>933,413</u>
Net assets:			
Invested in capital assets, net of related debt	1,564,883	9,172	1,574,055
Restricted	117,290	0	117,290
Unrestricted	652,499	19,927	672,426
Total net assets	<u>\$ 2,334,672</u>	<u>29,099</u>	<u>2,363,771</u>

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

Figure A-4  
Changes of Net Assets

	Governmental	Business-type	Total
	Activities	Activities	School District
	2004	2004	2004
Revenues:			
Program revenues:			
Charges for services	\$ 492,270	57,905	550,175
Operating grants and contributions and restricted interest	451,406	56,282	507,688
General revenues:			
Property tax	1,019,143	0	1,019,143
Unrestricted state grants	1,017,903	0	1,017,903
Unrestricted investment earnings	4,498	41	4,539
Total revenues	<u>2,985,220</u>	<u>114,228</u>	<u>3,099,448</u>
Program expenses:			
Governmental activities:			
Instructional	2,062,111	0	2,062,111
Support services	782,045	0	782,045
Non-instructional programs	3,425	121,634	125,059
Other expenses	145,260	0	145,260
Total expenses	<u>2,992,841</u>	<u>121,634</u>	<u>3,114,475</u>
Change in net assets	<u>\$ (7,621)</u>	<u>(7,406)</u>	<u>(15,027)</u>

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 91% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$2,985,220 and expenses were \$2,992,841.

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	Net Cost of Services
Instruction	\$ 2,062,111	1,208,623
Support services	782,045	782,045
Non-instructional	3,425	3,425
Other expenses	145,260	55,072
Totals	<u>\$ 2,992,841</u>	<u>2,049,165</u>

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- The cost financed by users of the District's programs was \$492,270.
  - Federal and state governments subsidized certain programs with grants and contributions totaling \$451,406.
  - The net cost of governmental activities was financed with \$1,019,143 in property and other taxes and \$1,017,903 in unrestricted state grants.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$114,228 and expenses were \$121,634. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Anita 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 combined fund balance of \$695,544, above last year's ending fund balances of \$625,651.

### **Governmental Fund Highlights**

- The District's improved General Fund financial position is the result of many factors. The increase in revenue from local sources and federal sources helped to increase total revenues for the General Fund.

### **Proprietary Fund Highlights**

- School Nutrition Fund net assets decreased from \$36,505 at June 30, 2003, to \$29,099 at June 30, 2004, representing a decrease of 20%.

## **BUDGETARY HIGHLIGHTS**

The District's receipts were \$109,273 less than budgeted receipts, a variance of 3.41%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2004, the District had invested \$1,574,055, 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) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$143,392.

The original cost of the District's capital assets was \$3,612,303. Governmental funds account for \$3,569,996 with the remainder of \$42,307 in the Proprietary, School Nutrition Fund.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Land	\$ 6,643	0	6,643
Buildings	1,367,418	0	1,367,418
Improvements other than buildings	33,043	0	33,043
Machinery and equipment	157,779	9,172	166,951
Total	\$ 1,564,883	9,172	1,574,055

## 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:

- Continued budget concerns at the state level will affect future projections.
- Potential substantial increases in gasoline/diesel fuel would also impact the District's efforts to control expenditures.
- The SILO election passed in Adair, Audubon and Cass counties.
- The 2005 fiscal year will be the 2<sup>nd</sup> year for whole grade sharing.
- The District is expecting to purchase a new bus and a new car.
- The District is expecting to replace three furnaces.
- In 2004-2005, the District had eight teachers that left or were cut and were replaced with five other staff members. This will decrease salary expenditures but will also increase unemployment claims for one staff member in management.

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## **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 Glenda Nelsen, District Secretary, Anita Community School District, 1000 Victory Park Road, Anita, Iowa, 50020.

BASIC FINANCIAL STATEMENTS

ANITA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents:			
Other	\$ 659,775	10,891	670,666
Receivables			
Property tax:			
Delinquent	15,661	0	15,661
Succeeding year	924,969	0	924,969
Income surtax	74,245	0	74,245
Accounts	6,390	0	6,390
Due from other governments	21,378	0	21,378
Inventories	0	9,820	9,820
Capital assets, net of accumulated depreciation (Note 4)	1,564,883	9,172	1,574,055
<b>TOTAL ASSETS</b>	<b>3,267,301</b>	<b>29,883</b>	<b>3,297,184</b>
<b>LIABILITIES</b>			
Accounts payable	7,660	54	7,714
Deferred revenue:			
Succeeding year property tax	924,969	0	924,969
Other	0	730	730
<b>TOTAL LIABILITIES</b>	<b>932,629</b>	<b>784</b>	<b>933,413</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	1,564,883	9,172	1,574,055
Restricted for:			
Teacher Compensation	577	0	577
Phase III	5,115	0	5,115
Talented and Gifted	8,254	0	8,254
Early Intervention	16,625	0	16,625
Management levy	30,299	0	30,299
Other special revenue purposes	56,420	0	56,420
Unrestricted	652,499	19,927	672,426
<b>TOTAL NET ASSETS</b>	<b>\$ 2,334,672</b>	<b>29,099</b>	<b>2,363,771</b>

SEE NOTES TO FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2004

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 1,336,432	476,594	340,909
Special instruction	362,104	15,676	20,309
Other instruction	363,575	0	0
	<u>2,062,111</u>	<u>492,270</u>	<u>361,218</u>
Support services:			
Student services	41,595	0	0
Instructional staff services	105,869	0	0
Administration services	282,660	0	0
Operation and maintenance of plant services	216,686	0	0
Transportation services	134,281	0	0
Central services	954	0	0
	<u>782,045</u>	<u>0</u>	<u>0</u>
Non-instructional programs	<u>3,425</u>	<u>0</u>	<u>0</u>
Other expenditures:			
Facilities acquisitions	7,668	0	0
AEA flowthrough	90,188	0	90,188
Depreciation(unallocated) *	47,404	0	0
	<u>145,260</u>	<u>0</u>	<u>90,188</u>
Total governmental activities	<u>2,992,841</u>	<u>492,270</u>	<u>451,406</u>
Business-Type activities:			
Non-instructional programs:			
Nutrition services	121,634	57,905	56,282
Total business-type activities	<u>121,634</u>	<u>57,905</u>	<u>56,282</u>
Total	<u>\$ 3,114,475</u>	<u>550,175</u>	<u>507,688</u>

**General Revenues:**

Property tax levied for:  
  General purposes  
  Capital outlay  
Unrestricted state grants  
Unrestricted investment earnings  
Total general revenues

Changes in net assets

Net assets beginning of year, as restated(Note 8)

Net assets end of year

\* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(518,929)	0	(518,929)
(326,119)	0	(326,119)
(363,575)	0	(363,575)
<u>(1,208,623)</u>	<u>0</u>	<u>(1,208,623)</u>
(41,595)	0	(41,595)
(105,869)	0	(105,869)
(282,660)	0	(282,660)
(216,686)	0	(216,686)
(134,281)	0	(134,281)
(954)	0	(954)
<u>(782,045)</u>	<u>0</u>	<u>(782,045)</u>
<u>(3,425)</u>		<u>(3,425)</u>
(7,668)	0	(7,668)
0	0	0
(47,404)	0	(47,404)
<u>(55,072)</u>	<u>0</u>	<u>(55,072)</u>
(2,049,165)	0	(2,049,165)
0	(7,447)	(7,447)
0	(7,447)	(7,447)
<u>(2,049,165)</u>	<u>(7,447)</u>	<u>(2,056,612)</u>
\$ 946,413	0	946,413
72,730	0	72,730
1,017,903	0	1,017,903
4,498	41	4,539
<u>2,041,544</u>	<u>41</u>	<u>2,041,585</u>
(7,621)	(7,406)	(15,027)
<u>2,342,293</u>	<u>36,505</u>	<u>2,378,798</u>
\$ 2,334,672	29,099	2,363,771

ANITA COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	General	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>			
Cash and pooled investments:			
Other	\$ 525,123	134,652	659,775
Receivables:			
Property tax:			
Delinquent	13,903	1,758	15,661
Succeeding year	801,261	123,708	924,969
Income surtax	74,245	0	74,245
Interfund	120,000	0	120,000
Accounts	5,862	528	6,390
Due from other governments	21,378	0	21,378
<b>TOTAL ASSETS</b>	<b>\$ 1,561,772</b>	<b>260,646</b>	<b>1,822,418</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 7,604	56	7,660
Interfund payable	0	120,000	120,000
Deferred revenue:			
Succeeding year property tax	801,261	123,708	924,969
Income surtax	74,245	0	74,245
Total liabilities	883,110	243,764	1,126,874
Fund balances:			
Reserved for:			
Teacher Compensation	577	0	577
Phase III	5,115	0	5,115
Talented and Gifted	8,254	0	8,254
Early Intervention	16,625	0	16,625
Unreserved:			
Undesignated	648,091	16,882	664,973
Total fund balances	678,662	16,882	695,544
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,561,772</b>	<b>260,646</b>	<b>1,822,418</b>

SEE NOTES TO FINANCIAL STATEMENTS.

ANITA 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 (page 16) \$ 695,544

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

Capital assets used in governmental activities are not  
financial resources and, therefore, are not reported as  
assets in in the governmental funds. 1,564,883

Accounts receivable income surtax, are not yet available  
to finance expenditures of the current fiscal period. 74,245

Net assets of governmental activites (page 13) \$ 2,334,672

SEE NOTES TO FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2004

	General	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ 911,787	107,356	1,019,143
Tuition	228,444	0	228,444
Other	93,671	166,152	259,823
Intermediate Sources	8,501	0	8,501
State sources	1,242,963	99	1,243,062
Federal sources	226,247	0	226,247
Total revenues	<u>2,711,613</u>	<u>273,607</u>	<u>2,985,220</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular instruction	1,323,438	9,255	1,332,693
Special instruction	360,844	0	360,844
Other instruction	215,460	142,806	358,266
	<u>1,899,742</u>	<u>152,061</u>	<u>2,051,803</u>
Support services:			
Student services	41,152	443	41,595
Instructional staff services	59,808	164	59,972
Administration services	265,866	15,499	281,365
Operation and maintenance of plant services	202,041	12,053	214,094
Transportation services	107,726	348	108,074
Central services	954	0	954
	<u>677,547</u>	<u>28,507</u>	<u>706,054</u>
Non-instructional programs	<u>3,425</u>	<u>0</u>	<u>3,425</u>
Other expenditures:			
Facilities acquisitions	0	63,857	63,857
AEA flowthrough	90,188	0	90,188
	<u>90,188</u>	<u>63,857</u>	<u>154,045</u>
Total expenditures	<u>2,670,902</u>	<u>244,425</u>	<u>2,915,327</u>
Net change in fund balances	40,711	29,182	69,893
Fund balance beginning of year	637,951	(12,300)	625,651
Fund balance end of year	<u>\$ 678,662</u>	<u>16,882</u>	<u>695,544</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2004

Net change in fund balances - total governmental funds(page 18) \$ 69,893

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 63,958	
Depreciation expense	(141,472)	(77,514)

Changes in net assets of governmental activities(page 15) \$ (7,621)

SEE NOTES TO FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2004

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 10,891
Inventories	9,820
Capital assets, net of accumulated depreciation	<u>9,172</u>
Total assets	<u>29,883</u>
LIABILITIES	
Accounts payable	54
Deferred revenue:	
Other	<u>730</u>
Total liabilities	<u>784</u>
NET ASSETS	
Invested in capital assets, net of related debt	9,172
Unrestricted	<u>19,927</u>
Total net assets	<u>\$ 29,099</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2004

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 57,905
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	48,731
Benefits	6,831
Services	3,391
Supplies	60,737
Other	24
Depreciation	1,920
Total operating expenses	121,634
Operating loss	(63,729)
Non-operating revenues:	
State sources	1,553
Federal sources	54,729
Interest on investments	41
Total non-operating revenues	56,323
Change in net assets	(7,406)
Net assets beginning of year	36,505
Net assets end of year	\$ 29,099

SEE NOTES TO FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 57,520
Cash received from miscellaneous operating activities	1,115
Cash payments to employees for services	(55,562)
Cash payments to suppliers for goods or services	(53,049)
Net cash provided by operating activities	(49,976)
Cash flows from non-capital financing activities:	
State grants received	1,553
Federal grants received	45,333
Net cash provided by non-capital financing activities	46,886
Cash flows from capital and related financing activities:	
Purchase of capital assets	(1,450)
Net cash used in capital and related financing activities	(1,450)
Cash flows from investing activities:	
Interest on investments	41
Net cash provided by investing activities	41
Net decrease in cash and cash equivalents	(4,499)
Cash and cash equivalents at beginning of year	15,390
Cash and cash equivalents at end of year	\$ 10,891
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (63,729)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	9,396
Depreciation	1,920
Decrease in inventories	1,653
Increase in accounts payable	54
Increase in deferred revenue	730
Net cash used in operating activities	\$ (49,976)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 10,891
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
During the year ended June 30, 2004, the District received Federal commodities valued at \$9,396.	

SEE NOTES TO FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2004

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 10,434
Total assets	<u>10,434</u>
Liabilities	
Due to other groups	10,434
Total liabilities	<u>10,434</u>
Net assets	<u>\$ 0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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

The Anita Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Anita, Iowa, and the predominate agricultural territory in Cass, Adair, and Audubon 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, Anita Community School District has included all funds, organizations, account groups, 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 Anita Community School District has no component units which 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 do 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 Cass, Adair, and Audubon Counties Assessors' 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 support.

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 assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

The District reports the following proprietary fund:

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

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

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

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

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

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

Under 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, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are 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 that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, machinery, 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 repairs 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	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20 years
Machinery 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 receivables and other receivables not collected within sixty days after year end.

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

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

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

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 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's investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$710,907 pursuant to Rule 2a-7 under Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

(3) **Due From and Due to other Funds**

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

Receivable Fund	Payable Fund	Amount
General	PPEL	\$ 120,000

(4) **Capital Assets**

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

	Balance Beginning of Year, as restated (Note 8)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,643	0	0	6,643
Total capital assets not being depreciated	6,643	0	0	6,643
Capital assets being depreciated:				
Buildings	2,636,470	30,572	0	2,667,042
Improvements other than buildings	11,250	25,617	0	36,867
Machinery and equipment	851,675	7,769	0	859,444
Total capital assets being depreciated	3,499,395	63,958	0	3,563,353
Less accumulated depreciation for:				
Buildings	1,254,064	45,560	0	1,299,624
Improvements other than buildings	1,980	1,844	0	3,824
Machinery and equipment	607,597	94,068	0	701,665
Total accumulated depreciation	1,863,641	141,472	0	2,005,113
Total capital assets being depreciated, net	1,635,754	(77,514)	0	1,558,240
Governmental activities capital assets, net	\$ 1,642,397	(77,514)	0	1,564,883
Business-type activities:				
Machinery and equipment	\$ 43,372	1,450	2,515	42,307
Less accumulated depreciation	33,730	1,920	2,515	33,135
Business-type activities capital assets, net	\$ 9,642	(470)	0	9,172

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 8,783
Special		1,260
Other		6,722
Support services:		
Instructional staff		45,897
Administration		2,607
Operation and maintenance of plant services		2,592
Transportation		26,207
		94,068
Unallocated depreciation		47,404
Total governmental activities depreciation expense		\$ 141,472
Business-type activities:		
Food services		\$ 1,920
Total business-type activities depreciation expense		\$ 1,920

##### (5) 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 salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State

statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$84,254, \$80,098, \$81,601, respectively, equal to the required contributions for each year.

**(6) Risk Management**

Anita 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.

**(7) 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 \$90,188 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.

**(8) Accounting Change and Restatements**

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

Governmental Accounting Standards Board(GASB) 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, and Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; were implemented during 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 split the District's programs between business-type and governmental activities. The beginning net asset amount 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.

Beginning capital assets for governmental activities of \$4,279,252 were restated to \$3,506,038. The restatement primarily removed assets below the District's capitalizations threshold.

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

	Fund		Total
	General	Other Nonmajor Governmental Funds	
Net assets, June 30, 2003, as previously reported	\$ 637,951	(12,300)	625,651
GASB Interpretation 6 adjustments	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	<u>\$ 637,951</u>	<u>(12,300)</u>	625,651
GASB 34 adjustments:			
Capital assets, net of accumulated depreciation of \$1,863,641			1,642,397
Income surtax			<u>74,245</u>
Net assets, July 1, 2003, as restated			<u>\$ 2,342,293</u>

REQUIRED SUPPLEMENTAL INFORMATION

ANITA COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 1,509,925	58,676
Intermediate sources	0	0
State sources	1,237,851	1,553
Federal sources	232,568	54,729
Total revenues	<u>2,980,344</u>	<u>114,958</u>
Disbursements:		
Instruction	2,044,395	0
Support services	705,991	0
Non-instructional programs	3,175	119,457
Other expenditures	154,045	0
Total expenditures	<u>2,907,606</u>	<u>119,457</u>
Excess(deficiency) of receipts over(under) disbursements	72,738	(4,499)
Other financing sources, net	0	0
Excess(deficiency) of receipts over(under) disbursements	72,738	(4,499)
Balance beginning of year	<u>587,037</u>	<u>15,390</u>
Balance end of year	<u>\$ 659,775</u>	<u>10,891</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
1,568,601	1,387,365	1,387,365	181,236
0	112,500	112,500	(112,500)
1,239,404	1,459,710	1,459,710	(220,306)
287,297	245,000	245,000	42,297
<u>3,095,302</u>	<u>3,204,575</u>	<u>3,204,575</u>	<u>(109,273)</u>
2,044,395	2,550,551	2,550,551	506,156
705,991	939,900	939,900	233,909
122,632	261,000	261,000	138,368
154,045	273,625	273,625	119,580
<u>3,027,063</u>	<u>4,025,076</u>	<u>4,025,076</u>	<u>998,013</u>
68,239	(820,501)	(820,501)	(888,740)
0	221,000	221,000	221,000
68,239	(599,501)	(599,501)	(667,740)
602,427	655,517	655,517	(53,090)
<u>670,666</u>	<u>56,016</u>	<u>56,016</u>	<u>614,650</u>

ANITA COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 2,980,344	4,876	2,985,220
Expenditures	2,907,606	7,721	2,915,327
Net	72,738	(2,845)	69,893
Other financing sources, net	0	0	0
Beginning fund balances	587,037	38,614	625,651
Ending fund balances	\$ 659,775	35,769	695,544

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 114,958	(730)	114,228
Expenditures	119,457	2,177	121,634
Net	(4,499)	(2,907)	(7,406)
Other financing sources, net	0	0	0
Beginning fund balances	15,390	21,115	36,505
Ending fund balances	\$ 10,891	18,208	29,099

ANITA 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 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 functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTAL INFORMATION

ANITA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2004

	Special Revenue Funds				
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Physical Equipment Reserve Levy	Total Special Revenue
<b>ASSETS</b>					
Cash and pooled investments	\$ 29,893	54,895	48,972	892	134,652
Receivables:					
Property tax:					
Current year delinquent	406	0	1,191	161	1,758
Succeeding year	51,546	0	63,579	8,583	123,708
Accounts	0	528	0	0	528
<b>TOTAL ASSETS</b>	<b>\$ 81,845</b>	<b>55,423</b>	<b>113,742</b>	<b>9,636</b>	<b>260,646</b>
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities:					
Accounts payable	\$ 0	56	0	0	56
Due to other funds	0	0	120,000	0	120,000
Deferred revenue:					
Succeeding year property tax	51,546	0	63,579	8,583	123,708
<b>Total Liabilities</b>	<b>51,546</b>	<b>56</b>	<b>183,579</b>	<b>8,583</b>	<b>243,764</b>
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	30,299	55,367	(69,837)	1,053	16,882
<b>Total fund balances</b>	<b>30,299</b>	<b>55,367</b>	<b>(69,837)</b>	<b>1,053</b>	<b>16,882</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 81,845</b>	<b>55,423</b>	<b>113,742</b>	<b>9,636</b>	<b>260,646</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANITA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2004

	Special Revenue Funds				
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Physical Equipment Reserve Levy	Total Special Revenue
REVENUES:					
Local sources:					
Local tax	\$ 24,807	0	72,730	9,819	107,356
Other	65	165,979	69	39	166,152
State sources	23	0	67	9	99
TOTAL REVENUES	<u>24,895</u>	<u>165,979</u>	<u>72,866</u>	<u>9,867</u>	<u>273,607</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	9,255	0	0	0	9,255
Other instruction	0	142,806	0	0	142,806
Support services:					
Student support services	443	0	0	0	443
Instructional staff	164	0	0	0	164
Administration services	15,499	0	0	0	15,499
Operation and maintenance of plant services	12,053	0	0	0	12,053
Student transportation	348	0	0	0	348
Other expenditures:					
Facilities acquisitions	0	0	39,782	24,075	63,857
TOTAL EXPENDITURES	<u>37,762</u>	<u>142,806</u>	<u>39,782</u>	<u>24,075</u>	<u>244,425</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(12,867)	23,173	33,084	(14,208)	29,182
FUND BALANCE BEGINNING OF YEAR	<u>43,166</u>	<u>32,194</u>	<u>(102,921)</u>	<u>15,261</u>	<u>(12,300)</u>
FUND BALANCE END OF YEAR	<u>\$ 30,299</u>	<u>55,367</u>	<u>(69,837)</u>	<u>1,053</u>	<u>16,882</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANITA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletics	\$ 95	46,953	39,650	7,398
Athletic Students	1,471	8,218	9,302	387
Cheerleaders	0	5,819	2,739	3,080
Industrial Arts	92	2,634	980	1,746
NFL/Q&S	2,867	3,609	3,720	2,756
FFA	1,813	21,351	21,599	1,565
Graduating Classes	7,568	36,559	31,996	12,131
Yearbook	127	7,358	2,465	5,020
Cash/Inactive/Interest	4,351	715	2,239	2,827
Juice/Pop Account	2,445	11,835	9,596	4,684
NHS/Student Council	684	2,675	2,657	702
Music	83	1	0	84
Academic Clubs	846	292	251	887
Track Club Concessions	27	0	0	27
Community/School	506	646	0	1,152
Service Learning	104	0	0	104
Elementary Accounts	9,115	17,314	15,612	10,817
<b>Total</b>	<b>\$ 32,194</b>	<b>165,979</b>	<b>142,806</b>	<b>55,367</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANITA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2004

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 11,563	17,545	18,674	10,434
Accounts receivable	1,129	0	1,129	0
<b>Total assets</b>	<b>\$ 12,692</b>	<b>17,545</b>	<b>19,803</b>	<b>10,434</b>
<b>Liabilities</b>				
Due to other groups	\$ 12,692	17,545	19,803	10,434
<b>Total liabilities</b>	<b>\$ 12,692</b>	<b>17,545</b>	<b>19,803</b>	<b>10,434</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANITA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 1,019,143	923,642	923,225	882,866
Tuition	228,444	56,239	62,503	68,182
Other	259,823	220,142	182,346	219,006
Intermediate sources	8,501	11,424	44,594	27,526
State sources	1,243,062	1,364,975	1,363,533	1,443,650
Federal sources	226,247	176,280	127,270	136,335
Total	<u>\$ 2,985,220</u>	<u>2,752,702</u>	<u>2,703,471</u>	<u>2,777,565</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,332,693	1,165,088	1,249,294	1,196,239
Special instruction	360,844	316,745	345,714	345,185
Other instruction	358,266	340,732	304,526	302,417
Support services:				
Student services	41,595	22,290	22,191	51,205
Instructional staff services	59,972	55,609	55,230	48,597
Administration services	281,365	259,333	261,651	255,982
Operation and maintenance of plant services	214,094	198,537	186,133	214,382
Transportation services	108,074	168,295	96,646	161,312
Central services	954	278	363	1,604
Non-instructional programs	3,425	8,384	7,250	3,217
Other expenditures:				
Facilities acquisitions	63,857	68,678	325,389	109,790
AEA flow-through	90,188	98,455	98,577	103,686
Total	<u>\$ 2,915,327</u>	<u>2,702,424</u>	<u>2,952,964</u>	<u>2,793,616</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# NOLTE, CORNMAN & JOHNSON P.C.

## Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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

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

We have audited the financial statements of Anita Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated November 30, 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 Anita Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in 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 II-K-04.

#### Internal Control Over Financial Reporting

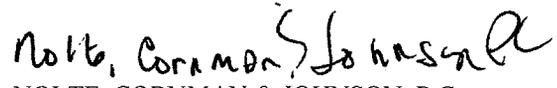
In planning and performing our audit, we considered Anita Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over 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 judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in 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 item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item I-A-04.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Anita 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.

  
NOLTE, CORNMAN & JOHNSON, P.C.

November 30, 2004

ANITA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response – We will continue to review our procedures and implement additional controls where possible. .

Conclusion - Response accepted.

I-B-04 Activity Fund – We noted during the audit that the Student Activity Fund had a balance in the class accounts that have already graduated. We also noted that the Student Activity Fund includes an interest account that is not allocated to different activity accounts on a yearly basis.

Recommendation – The class accounts are inactive accounts as the classes have already graduated and therefore these accounts are no longer legitimate accounts. These balances may be transferred to another student activity account in accordance with the Uniform Accounting Procedure Manual. The District should allocate interest in the Student Activity Fund on a yearly basis.

Response – We will review these accounts.

Conclusion – Response accepted.

ANITA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Statutory Reporting

- II-A-04 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget - District disbursements for the year ended June 30, 2004 did not exceed the amounts budgeted.
- II-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-04 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dianne Denney, Custodian Spouse of Contractor	Purchased Services	\$400

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

- II-F-04 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.
- II-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-H-04 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-I-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-K-04 Financial Condition – The District had a deficit fund balance of \$69,837 in the Physical Plant and Equipment Levy (PPEL) Fund.

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

Response – We will monitor this fund and investigate any available options to eliminate this deficit.

Conclusion – Response accepted.