

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

## Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-14
Basic Financial Statements:	<u>Exhibit</u>	
District-Wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17-18
Governmental Fund Financial Statements:		
Balance Sheet	C	19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	23
Statement of Revenues, Expenses, and Changes in Net Assets	H	24
Statement of Cash Flows	I	25
Notes to Financial Statements		26-34
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		36
Budget to GAAP Reconciliation		37
Notes to Required Supplementary Information - Budgetary Reporting		38
<u>Schedule</u>		
Other Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	40
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	41
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	42
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	43
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		44-45
Schedule of Findings		46-48



## Independent Auditor's Report

To the Board of Education of  
Anthon-Oto 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 Anthon-Oto Community School District, Anthon, 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 Anthon-Oto 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 9 to the financial statements, during the year ended June 30, 2004, Anthon-Oto 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 21, 2004, on our consideration of Anthon-Oto 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 Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 36 through 38 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 Anthon-Oto 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 unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

September 21, 2004.

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

Anthon-Oto 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 \$2,911,306 in fiscal 2003 to \$3,007,493 in fiscal 2004, while General Fund expenditures increased from \$2,743,336 in fiscal 2003 to \$2,905,824 in fiscal 2004. The District's General Fund balance increased from \$511,301 in fiscal 2003 to \$614,955 in fiscal 2004.
- The increase in General Fund revenues were attributable to an increase in property tax, and income surtax revenue in fiscal 2004. Our property tax rate increased from 12.27056 in 2003 to 12.79993 in 2004. Projected state foundation aid revenue was reduced by about \$27,777 due to a 2.50% across the board cut in state aid in the fall of 2003. Since about 85% of the district general fund budget is for salaries and benefits, it is difficult to adjust mid-year for such cuts. In June, the district did receive a partial payback of the cut in the amount of \$2,778.
- The increase in expenditures was due primarily to an increase in the negotiated salary and benefits of district employees. The district has been working to find ways to decrease salary and benefit costs without laying off staff. For example, the district, in conjunction with the teacher's association, has instituted major changes to the health insurance plan in an effort to contain costs. In previous years Anthon-Oto has paid full family insurance as well as provided a self-insurance benefit that paid 100% of things like lab, surgery, and x-ray. Effective September 1, 2003, this benefit was cancelled. A dollar limit for full family insurance was also placed in the Master Contract, however, it still currently pays the entire family premium. Other non-employee expenses that increased significantly were the costs of gasoline, fuel oil, and open enrollment.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone decreasing from \$4,812 in fiscal 2003 to \$3,695 in fiscal 2004. This represents a 23% decrease over a one-year period.

- The district has chosen to reduce expenses where possible and fund the balance of spending deficits by using the carryover balance it has accumulated. Although the cash balance was down \$30,094 from 2003 to 2004, the Anthon-Oto District was able to pay July and August salaries on June 30, 2004. This decreased our liabilities by \$175,043, putting us in a much better financial position than fiscal year 2003.

## **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 Anthon-Oto 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 Anthon-Oto Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Comparison of Taxes and Intergovernmental Revenues and Receipts, provides a summary of how funding at different levels has changed over the most recent four year period.

Figure A-1 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-1</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### *Fund Financial Statements*

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

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

The District has 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, Management Fund, Activity Fund, Physical Plant & Equipment Levy Fund, and the Infrastructure (\$.01 sales tax) Fund.

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

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

The 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, such as a scholarship fund. The District accounts for outside donations to specific

District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds, are used only for their intended purposes, and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Currently the Anthon-Oto Community School does not have any fiduciary funds.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-2 below provides a summary of the District's net assets at June 30, 2004.

Figure A-2 Condensed Statement of Net Assets			
	Governmental Activities	Business type Activities	Total District
	June 30, 2004	June 30, 2004	June 30, 2004
Current and other assets	2,653,650	55,685	2,709,335
Capital assets	960,478	10,513	970,991
Total assets	3,614,128	66,198	3,680,326
Long-term liabilities	-	-	-
Other liabilities	1,298,352	960	1,299,312
Total liabilities	1,298,352	960	1,299,312
Net assets			
Invested in capital assets net of related debt	960,478	10,513	970,991
Restricted	684,844	-	684,844
Unrestricted	670,454	54,725	725,179
Total net assets	2,315,776	65,238	2,381,014

In future years, the net change from the previous year will be shown. Since the district changed its method of reporting to conform with GASB 34, comparable information is not available for fiscal 2003. The most significant change is the incorporation of capital assets and depreciation to compute the district's net assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

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 is 725,179 for fiscal 2004.

Figure A-3 shows the change in net assets for the year ended June 30, 2004.

	Governmental Activities	Business Type Activities	Total District
<b>Revenues</b>			
Program revenues			
Charges for Services	715,677	54,367	770,044
Operating grants and contributions	313,828	76,640	390,468
Capital grants and contributions	7,800	-	7,800
General revenues			
Property tax	1,030,258	-	1,030,258
Other taxes	309,922	-	309,922
Interest on investments	6,782	404	7,186
State aid not restricted to specific programs	986,468	-	986,468
Miscellaneous	3,996	-	3,996
Sale of Equipment	1,985	-	1,985
Total revenues	<u>3,376,716</u>	<u>131,411</u>	<u>3,508,127</u>
<b>Program expenses</b>			
Governmental activities			
Instruction	2,148,004	-	2,148,004
Support services	800,075	-	800,075
Non-instructional programs	6,525	129,787	136,312
Other expenses	144,194	-	149,194
Total expenses	<u>3,098,798</u>	<u>129,787</u>	<u>3,228,585</u>
Change in net assets	277,918	1,624	279,542

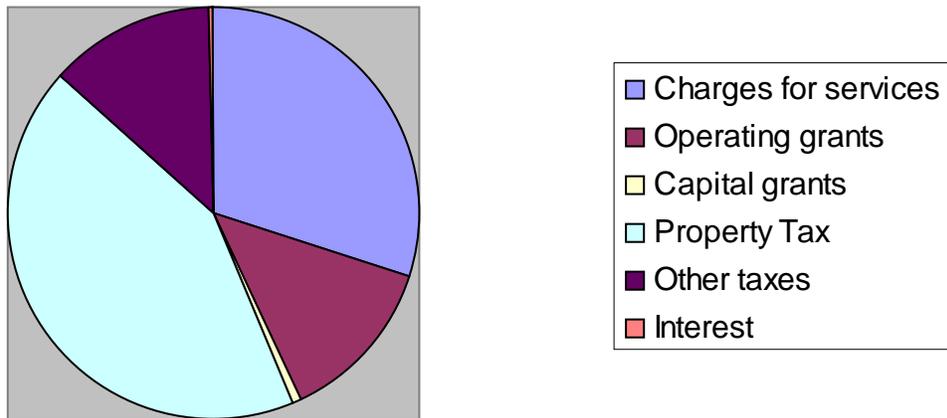
Property tax and unrestricted state grants account for 78% of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 95% of the total governmental activities expense.

### **Governmental Activities**

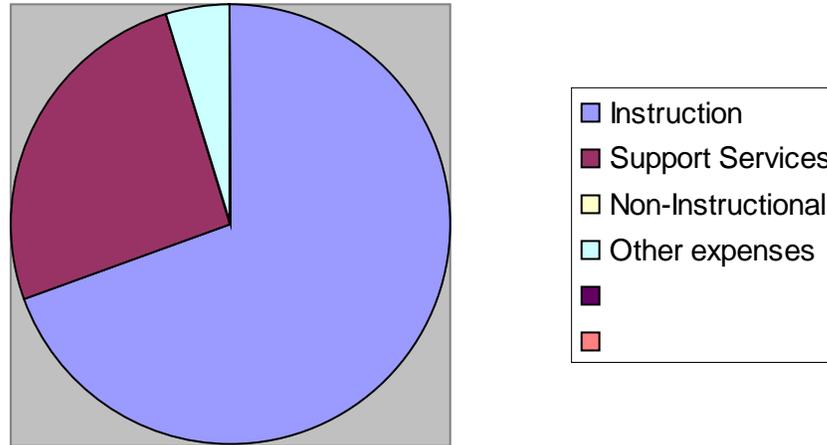
Revenues for governmental activities were \$3,376,716 and expenses were \$3,098,798. Below, Figure A-4 shows the breakdown of these revenues and expenses for governmental activities.

Figure A-4

**GOVERNMENTAL ACTIVITIES REVENUES**



## GOVERNMENTAL ACTIVITIES EXPENSES



So, as you can see from Figure A-4 above, Anthon-Oto Community School's Governmental Activities are mostly funded by Property Tax, and most of the District's resources are spent in the area of Instruction.

The following table (A-5) 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  
(Expressed in Thousands)

	Total Cost of Services	Net Cost of Services
Instruction	2,148,004	1,207,272
Support services	800,075	800,075
Non-instructional programs	6,525	6,525
Other expenses	144,194	47,621
<b>Total expenses</b>	<b>3,098,798</b>	<b>2,061,493</b>

- The cost financed by users of the District's programs was \$715,677. Federal and state governments subsidized certain programs with grants and contributions totaling \$321,628
- The net cost of governmental activities was financed with \$1,340,180 in property and other taxes and \$986,468 in unrestricted state grants. The remaining \$12,763

in revenue came from interest, contributions, sales of equipment and other miscellaneous local sources.

### **Business Type Activities**

Revenues for business type activities were \$131,007 and expenses were \$129,787. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, Federal and State reimbursements and investment income.

During the year ended June 30, 2004, the District did not increase meal prices. However, the Board did approve to raise student lunch prices in Fiscal Year 04-05 from \$1.30 to \$1.35, a 4% increase.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Anthon-Oto 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 \$1,273,707, markedly up from last year's ending fund balances of \$1,059,092.

### **Governmental Fund Highlights**

- The General Fund started the year on July 1, 2003 with a fund balance of \$58,057. The ending fund balance on June 30, 2004, was \$614,995.
- The Management Fund started the year at a balance of \$118,404, and ended up , with an ending balance of \$136,212. This is an increase of 15% and is mostly due to the fact that the district did not have any early retirees this year.
- The PPEL Fund was down considerably on June 30, 2004. This fund began the year with a balance of \$34,558 and ended at \$(12,100). Large purchases such as a bus and a Ford Van were purchased out of this fund, depleting its balance. This fund also ended the year with a \$13,000 balance due to the Infrastructure Fund for a loan to pay for the rest of the bus and van purchased.
- The Infrastructure Fund (.01 Sales Tax) ended the year up significantly. This fund began the year with a balance of \$311,061, and ended the year with a balance of \$518,683. This represents an increase of \$193,759, or 65%. This fund also ended the year with a balance due of \$13,000 from the PPEL Fund that will be repaid in the next fiscal year. The district did very little in large repairs this year, therefore, we were able to build up this fund balance.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$63,614 at June 30, 2003 to \$65,238 at June 30, 2004, representing an increase of approximately 2.5%. Overall, the nutrition fund has improved its financial health and has also provided some relief to the general fund.

**BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. This is referred to as the certified budget. The budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority. The district certifies its budget on a cash basis, but year-end financial reports are converted to an accrual basis. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures.

The District’s receipts were \$8,517 less than budgeted receipts, a variance of 1%. Total expenditures were \$1,195,886 less than budgeted, a variance of 26%. This is due to the district budgeting at full authority. The district certifies its budget at full-authority, even though it does not plan to spend all the funds. While, the certified budget provides a tool for estimating revenues and expenditures, the District manages or controls spending through its line-item budget.

The other level of budgetary control is the “unspent (maximum) authorized budget” and pertains only to the General Fund of the District. The maximum authorized budget is the total “spending authority” in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the “actual General Fund cash”. It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the district.

Anthon-Oto’s unspent balance is extremely overstated. The reason for this is several years ago, the Board at that time chose not to tax for the district’s full authority. This resulted in the unspent balance increasing, however, the district did not collect the cash to back up that authority. Therefore, our unspent balance is a lot higher than our actual cash carryover. The cash for this authority was never collected, and we can not go back to collect it in the future. Therefore, our unspent balance really gives us an unrealistic view of our financial position. Spending authority can be preserved by asking the School Budget Review Committee for authority to fund special education deficits, increased enrollment and increased tuition costs due to open enrollment.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2004, the District had invested \$2.5 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-7) Depreciation expense for the year was \$109,322

Figure A-7

	<b>Original Cost of Capital Assets</b>	<b>Prior Years Accum Deprec</b>	<b>Current Year Depreciation</b>	<b>Capital Assets less Depreciation</b>
<b>Land &amp; Improvements</b>	198,232	160,933	5,593	31,706
<b>Buildings &amp; Improvements</b>	1,682,365	843,221	51,721	787,423

<b>Vehicles &amp; Equipment</b>	541,084	347,717	52,018	141,349
<b>Construction in Progress</b>	-	-	-	-
	<u>2,421,681</u>	<u>1,351,871</u>	<u>109,332</u>	<u>960,478</u>

Since this was the first year to report capital assets and depreciation expense, a comparison to last year is not possible. The original cost of the District's capital assets was \$2.4 million. Accumulated depreciation for prior years was calculated at \$1.35 million. Buildings and building improvements account for 67% of capital assets, before reducing for accumulated depreciation, and 82% of capital assets after accumulated depreciation is subtracted.

The largest change in capital asset activity during the year occurred in the Vehicles and Equipment category. The District purchased a 2003, Thomas 65-passenger bus and a 2004, 8-passenger Ford Club Van. As a result of these purchases, the District accepted bids and sold a 1988, 53-passenger bus, a 1967 Ford Pickup, and a 1992 Ford Taurus Station Wagon.

### **LONG TERM DEBT**

At June 30, 2004, the district had \$0 in general obligation and other long-term debt outstanding.

### **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:

- Due to a revaluation of agricultural land, the district's taxable valuation for fiscal 2005, decreased by 15%. This will result in higher tax rates and less property tax revenue in the General and Physical Plant and Equipment Levy (PPEL) for fiscal 2005. For Example, the General Fund 03-04 Tax Rate was 11.84685. It will be increased to 12.96548 for 04-05, however, General Fund property tax revenue will decrease from 950,670 in 03-04, to 879,926, in 04-05. This represents a 7% decrease in the General Fund. This will have the biggest impact on the PPEL fund reducing total revenue by about 18%.
- The district's enrollment decreased by 3.6% for the 2005 budget year (previous year's enrollment) and the state set allowable growth at 2%. Enrollment increased this year by 3.5%, (used in calculating fiscal 2006 revenues) and allowable growth at this point will be 4%. If allowable growth isn't reduced, the district should be able to start rebuilding its fund balance in the general fund.
- Enrollments are predicted to decrease over the next several years as smaller Kindergarten classes replace the larger graduating classes.

- The District has many long-term employees that would be eligible for early retirement in a few years. However, for the 04-05 Fiscal Year no employees are eligible, so the District was able to decrease the Management Levy by \$10,000 for the 04-05 Fiscal Year.
- The district has facilities that are modern and in good shape. Although there are always projects that need to be done, the revenues to support facility maintenance and improvement should be sufficient to take care of immediate needs for the next few years. Woodbury County one-cent sales tax will expire in 2008, however, an election for renewal is in the works for fall of 2005. At that time, Anthon-Oto can change the ballot language to allow use of one-cent sales tax revenues to fund vehicle purchases. The ultimate decision will be up to the voters. If the district loses this funding source, it could be difficult to fund anything but minor necessary repairs.

### **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 Shona Fitchner, Board Secretary/Treasurer and Business Manager, Anthon-Oto Community School District, 110 W. Division St. Anthon, IA 51004.

## BASIC FINANCIAL STATEMENTS

## ANTHON-OTO COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	1,101,503	44,907	1,146,410
Receivables:			
Property tax:			
Delinquent	17,985	-	17,985
Succeeding year	948,059	-	948,059
Accounts	-	69	69
Due from other governments	586,103	-	586,103
Inventories	-	10,709	10,709
Capital assets, net of accumulated depreciation	960,478	10,513	970,991
<b>Total assets</b>	<u>3,614,128</u>	<u>66,198</u>	<u>3,680,326</u>
<b>Liabilities</b>			
Accounts payable	341,329	-	341,329
Salaries and benefits payable	4,984	-	4,984
Deferred revenue:			
Succeeding year property tax	948,059	-	948,059
Other	-	960	960
Long-term liabilities :			
Portion due within one year:			
Early retirement	3,980	-	3,980
<b>Total liabilities</b>	<u>1,298,352</u>	<u>960</u>	<u>1,299,312</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	960,478	10,513	970,991
Restricted for:			
Gifted and talented program	17,684	-	17,684
Iowa early intervention block grant	288	-	288
Management levy	132,232	-	132,232
Other special revenue purposes	15,957	-	15,957
Local option sales tax capital projects	518,683	-	518,683
Unrestricted	670,454	54,725	725,179
<b>Total net assets</b>	<u><u>2,315,776</u></u>	<u><u>65,238</u></u>	<u><u>2,381,014</u></u>

## ANTHON-OTO COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	
			<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	1,617,198	517,589	163,862	-
Special instruction	461,575	143,721	61,193	-
Other instruction	69,231	54,367	-	-
	<u>2,148,004</u>	<u>715,677</u>	<u>225,055</u>	<u>-</u>
Support services:				
Student services	42,480	-	-	-
Instructional staff services	113,507	-	-	-
Administration services	265,188	-	-	-
Operation and maintenance of plant services:	184,938	-	-	-
Transportation services	193,962	-	-	-
	<u>800,075</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs	<u>6,525</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	11,746	-	-	7,800
AEA flowthrough	88,773	-	88,773	-
Depreciation (unallocated)*	43,675	-	-	-
	<u>144,194</u>	<u>-</u>	<u>88,773</u>	<u>7,800</u>
Total governmental activities	3,098,798	715,677	313,828	7,800
Business type activities				
Non-instructional programs:				
Food service operations	<u>129,787</u>	<u>54,367</u>	<u>76,640</u>	<u>-</u>
Total	<u>3,228,585</u>	<u>770,044</u>	<u>390,468</u>	<u>7,800</u>

**General Revenues:**

Property taxes levied for:  
  General purposes  
  Income surtax  
  Local option sales and services tax  
  Unrestricted state grants  
  Unrestricted investment earnings  
  Other

Total general revenues

**Change in net assets**

Net assets beginning of year, as restated

Net assets end of year

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

## ANTHON-OTO 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>
(935,747)	-	(935,747)
(256,661)	-	(256,661)
(14,864)	-	(14,864)
<u>(1,207,272)</u>	<u>-</u>	<u>(1,207,272)</u>
(42,480)	-	(42,480)
(113,507)	-	(113,507)
(265,188)	-	(265,188)
(184,938)	-	(184,938)
(193,962)	-	(193,962)
<u>(800,075)</u>	<u>-</u>	<u>(800,075)</u>
<u>(6,525)</u>	<u>-</u>	<u>(6,525)</u>
(3,946)	-	(3,946)
-	-	-
<u>(43,675)</u>	<u>-</u>	<u>(43,675)</u>
<u>(47,621)</u>	<u>-</u>	<u>(47,621)</u>
(2,061,493)	-	(2,061,493)
<u>-</u>	<u>1,220</u>	<u>1,220</u>
<u>(2,061,493)</u>	<u>1,220</u>	<u>(2,060,273)</u>
1,030,258	-	1,030,258
104,382	-	104,382
205,540	-	205,540
986,468	-	986,468
6,782	404	7,186
5,981	-	5,981
<u>2,339,411</u>	<u>404</u>	<u>2,339,815</u>
277,918	1,624	279,542
<u>2,037,858</u>	<u>63,614</u>	<u>2,101,472</u>
<u>2,315,776</u>	<u>65,238</u>	<u>2,381,014</u>

## ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2004

	General Fund	Capital Projects (LOST)	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	459,454	490,319	151,730	1,101,503
Receivables:				
Property tax:				
Delinquent	16,646	-	1,339	17,985
Succeeding year	885,663	-	62,396	948,059
Interfund receivable/payable	-	13,000	(13,000)	-
Due from other governments	570,739	15,364	-	586,103
<b>Total assets</b>	<b><u>1,932,502</u></b>	<b><u>518,683</u></b>	<b><u>202,465</u></b>	<b><u>2,653,650</u></b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	341,329	-	-	341,329
Salaries and benefits payable	4,984	-	-	4,984
Deferred revenue:				
Succeeding year property tax	885,663	-	62,396	948,059
Other	85,571	-	-	85,571
Total liabilities	<u>1,317,547</u>	<u>-</u>	<u>62,396</u>	<u>1,379,943</u>
Fund balances:				
Reserved for:				
Gifted and talented program	17,684	-	-	17,684
Iowa early intervention block grant	288	-	-	288
Unreserved	596,983	518,683	140,069	1,255,735
Total fund balances	<u>614,955</u>	<u>518,683</u>	<u>140,069</u>	<u>1,273,707</u>
<b>Total liabilities and fund balances</b>	<b><u>1,932,502</u></b>	<b><u>518,683</u></b>	<b><u>202,465</u></b>	<b><u>2,653,650</u></b>

## ANTHON-OTO COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

<b>Total fund balances of governmental funds (Exhibit C)</b>	1,273,707
<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.	960,478
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	85,571
Long-term liabilities, early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(3,980)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>2,315,776</u></u>

## ANTHON-OTO COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	General Fund	Capital Projects (LOST)	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,035,187	205,540	76,712	1,317,439
Tuition	643,481	-	-	643,481
Other	25,151	2,132	52,314	79,597
State sources	1,163,985	-	-	1,163,985
Federal sources	139,689	-	7,800	147,489
Total revenues	<u>3,007,493</u>	<u>207,672</u>	<u>136,826</u>	<u>3,351,991</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,607,738	-	2,630	1,610,368
Special instruction	461,575	-	-	461,575
Other instruction	16,149	-	51,142	67,291
	<u>2,085,462</u>	<u>-</u>	<u>53,772</u>	<u>2,139,234</u>
Support services:				
Student services	42,383	-	97	42,480
Instructional staff services	112,390	-	117	112,507
Administration services	256,527	-	6,107	262,634
Operation and maintenance of plant services	168,940	-	15,624	184,564
Transportation services	146,669	-	76,201	222,870
	<u>726,909</u>	<u>-</u>	<u>98,146</u>	<u>825,055</u>
Non-instructional programs	<u>4,680</u>	<u>-</u>	<u>1,845</u>	<u>6,525</u>
Other expenditures:				
Facilities acquisition	-	50	11,696	11,746
Long-term debt:				
AEA flowthrough	88,773	-	-	88,773
	<u>88,773</u>	<u>50</u>	<u>11,696</u>	<u>100,519</u>
Total expenditures	<u>2,905,824</u>	<u>50</u>	<u>165,459</u>	<u>3,071,333</u>
Excess (deficiency) of revenues over (under) expenditure:	101,669	207,622	(28,633)	280,658
Other financing sources (uses):				
Sales of materials and equipment	1,985	-	-	1,985
Net change in fund balances	103,654	207,622	(28,633)	282,643
Fund balances beginning of year, as restated	511,301	311,061	168,702	991,064
Fund balances end of year	<u>614,955</u>	<u>518,683</u>	<u>140,069</u>	<u>1,273,707</u>

See notes to financial statements.

ANTHON-OTO 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)** 282,643

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

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

Expenditures for capital assets	77,493	
Depreciation expense	<u>(109,332)</u>	(31,839)

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.

22,740

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		<u>4,374</u>
------------------	--	--------------

**Changes in net assets of governmental activities (Exhibit B)** 277,918

## ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Fund

June 30, 2004

	Nonmajor School Nutrition
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	44,907
Accounts receivable	69
Inventories	10,709
Capital assets, net of accumulated depreciation	<u>10,513</u>
<b>Total assets</b>	66,198
<b>Liabilities</b>	
Deferred revenue	<u>960</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	10,513
Unrestricted	<u>54,725</u>
<b>Total net assets</b>	<u><u>65,238</u></u>

## ANTHON-OTO COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>54,367</u>
Operating expenses:	
Non-instructional programs:	
Salaries	59,807
Benefits	8,792
Purchased services	5,071
Supplies	54,192
Depreciation	1,925
	<u>129,787</u>
Operating gain (loss)	<u>(75,420)</u>
Non-operating revenue:	
State sources	2,201
Federal sources	74,439
Interest income	404
Total non-operating revenue	<u>77,044</u>
Change in net assets	1,624
Net assets beginning of year	<u>63,614</u>
Net assets end of year	<u><u>65,238</u></u>

## ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2004

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	54,273
Cash payments to employees for services	(68,599)
Cash payments to suppliers for goods or services	<u>(55,618)</u>
Net cash used by operating activities	<u>(69,944)</u>
Cash flows from non-capital financing activities:	
State grants received	2,201
Federal grants received	<u>59,751</u>
Net cash provided by non-capital financing activities	<u>61,952</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(8,079)</u>
Cash flows from investing activities:	
Interest on investments	<u>404</u>
Net increase (decrease) in cash and cash equivalents	(15,667)
Cash and cash equivalents at beginning of year	<u>60,574</u>
Cash and cash equivalents at end of year	<u><u>44,907</u></u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating gain (loss)	(75,420)
to net cash used in operating activities:	
Commodities used	14,688
Depreciation	1,925
Decrease (increase) in inventories	(6,363)
Decrease (increase) in accounts receivable	(32)
(Decrease) increase in accounts payable	(4,680)
(Decrease) increase in deferred revenue	<u>(62)</u>
Net cash used in operating activities	<u><u>(69,944)</u></u>

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

During the year ended June 30, 2004, the District received \$14,688 of federal commodities.

## ANTHON-OTO COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

Year ended June 30, 2004

#### 1. Summary of Significant Accounting Policies

**Anthon-Oto** 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 **Anthon and Oto**, Iowa and the predominately agricultural territory in a portion of **Woodbury** County. 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, **Anthon-Oto** 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 **Anthon-Oto** 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 District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

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

The government-wide and proprietary 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	500
Buildings	5,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

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

<u>Asset Class</u>	<u>Estimated Useful lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Furniture and equipment	3-10 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 ends.

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 did not exceed the amounts 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 investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$1,091,087 pursuant to Rule 2a-7 under the 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. Interfund Receivables and Payable**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	Special Revenue: Physical Plant and Equipment Levy Fund	\$  13,000

This money was loaned for cash flow purposes and will be repaid within the next year.

#### 4. 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
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	1,682,365	-	-	1,682,365
Improvements other than buildings	188,232	-	-	188,232
Furniture and equipment	510,116	77,493	46,525	541,084
Total capital assets being deprec.	<u>2,380,713</u>	<u>77,493</u>	<u>46,525</u>	<u>2,411,681</u>
Less accumulated depreciation for:				
Buildings	843,221	51,721	-	894,942
Improvements other than buildings	160,933	5,593	-	166,526
Furniture and equipment	394,242	52,018	46,525	399,735
Total accumulated depreciation	<u>1,398,396</u>	<u>109,332</u>	<u>46,525</u>	<u>1,461,203</u>
Total capital assets being depreciated, net	<u>982,317</u>	<u>(31,839)</u>	-	<u>950,478</u>
Governmental activities capital assets, net	<u>992,317</u>	<u>(31,839)</u>	-	<u>960,478</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	65,507	8,079	-	73,586
Less accumulated depreciation	<u>61,148</u>	<u>1,925</u>	-	<u>63,073</u>
Business type activities capital assets, net	<u>4,359</u>	<u>6,154</u>	-	<u>10,513</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	19,099
Other	1,940
Support Services:	
Instructional staff services	1,000
Administration services	2,554
Operation and maintenance of plant services	374
Transportation	<u>40,690</u>
	65,657

Unallocated depreciation	43,675
Total governmental activities depreciation expense	<u>109,332</u>
Business type activities:	
Food services operations	<u>1,925</u>

## 5. 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
	\$	\$	\$	\$	\$
Early retirement	<u>8,354</u>	<u>-</u>	<u>4,374</u>	<u>3,980</u>	<u>3,980</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. 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 \$4,374.

### Bonds Payable

The District had no bonded indebtedness at June 30, 2004.

## 6. 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 \$84,423, [\\$75,595](#), and [\\$76,983](#) respectively, equal to the required contributions for each year.

## 7. Risk Management

[Anthon-Oto](#) 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 \$404,601.

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.

**Anthon-Oto** 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.

## **8. 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 \$88,773 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.

## **9. 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:

	Fund			Total
	General	Capital Projects	Nonmajor	
	\$		\$	\$
Net assets, June 30, 2003, as previously reported	511,301	311,061	167,974	990,336
GASB Interpretation 6 adjustments	-	-	728	728
Net assets, July 1, 2003, as restated for Governmental funds	<u>511,301</u>	<u>311,061</u>	<u>168,702</u>	991,064
GASB 34 adjustments:				
Capital assets net of accumulated depreciation \$1,398,396				992,317
Long-term liabilities:				
Early retirement				(8,354)
Deferred revenue				<u>62,831</u>
Net assets, July 1, 2003, as restated				<u>2,037,858</u>

REQUIRED SUPPLEMENTARY INFORMATION

ANTHON-OTO 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	2,038,652	54,677	2,093,329	2,015,678	2,015,678	77,651
State sources	1,163,985	2,201	1,166,186	1,251,285	1,251,285	(85,099)
Federal sources	147,492	74,439	221,931	223,000	223,000	(1,069)
Total receipts	<u>3,350,129</u>	<u>131,317</u>	<u>3,481,446</u>	<u>3,489,963</u>	<u>3,489,963</u>	<u>(8,517)</u>
Disbursements:						
Instruction	2,263,026	-	2,263,026	2,815,185	2,815,185	552,159
Support services	833,828	-	833,828	1,018,647	1,018,647	184,819
Non-instructional programs	15,950	146,984	162,934	213,039	213,039	50,105
Other expenditures	100,519	-	100,519	509,322	509,322	408,803
Total disbursements	<u>3,213,323</u>	<u>146,984</u>	<u>3,360,307</u>	<u>4,556,193</u>	<u>4,556,193</u>	<u>1,195,886</u>
Excess (deficiency) of receipts over (under) disbursements	136,806	(15,667)	121,139	(1,066,230)	(1,066,230)	1,187,369
Other financing sources (uses) net	<u>1,985</u>	<u>-</u>	<u>1,985</u>	<u>-</u>	<u>-</u>	<u>1,985</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	138,791	(15,667)	123,124	(1,066,230)	(1,066,230)	1,189,354
Balance beginning of year	<u>962,712</u>	<u>60,574</u>	<u>1,023,286</u>	<u>1,066,230</u>	<u>1,066,230</u>	<u>(42,944)</u>
Balance end of year	<u><u>1,101,503</u></u>	<u><u>44,907</u></u>	<u><u>1,146,410</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>1,146,410</u></u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	3,350,129	1,862	3,351,991
Expenditures	3,213,323	(141,990)	3,071,333
Net	136,806	143,852	280,658
Other financing sources (uses) net	1,985	-	1,985
Beginning fund balances	962,712	28,352	991,064
Ending fund balances	1,101,503	172,204	1,273,707

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	\$	\$	\$
Revenues	131,317	94	131,411
Expenditures	146,984	(17,197)	129,787
Net	(15,667)	17,291	1,624
Other financing sources (uses) net	-	-	-
Beginning fund balances	60,574	3,040	63,614
Ending fund balances	44,907	20,331	65,238

ANTHON-OTO 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 its budget during the year.

During the year ended June 30, [2004](#), disbursements did not exceed the amounts budgeted.

OTHER SUPPLEMENTRY INFORMATION

## ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds			Total \$
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	
	\$	\$	\$	
Cash and pooled investments	135,337	15,957	436	151,730
Receivables:				
Property tax:				
Delinquent	875	-	464	1,339
Succeeding year	40,000	-	22,396	62,396
<b>Total assets</b>	<b>176,212</b>	<b>15,957</b>	<b>23,296</b>	<b>215,465</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Interfund payables	-	-	13,000	13,000
Deferred revenue:				
Succeeding year property tax	40,000	-	22,396	62,396
Total liabilities	40,000	-	35,396	75,396
Fund balances:				
Unreserved fund balance	136,212	15,957	(12,100)	140,069
<b>Total liabilities and fund balances</b>	<b>176,212</b>	<b>15,957</b>	<b>23,296</b>	<b>215,465</b>

## ANTHON-OTO COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Special Revenue Funds			Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	50,151	-	26,561	76,712
Other	680	51,359	275	52,314
Federal sources	-	-	7,800	7,800
Total revenues	<u>50,831</u>	<u>51,359</u>	<u>34,636</u>	<u>136,826</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	2,630	-	-	2,630
Other instruction	-	51,142	-	51,142
Support services:				
Student services	97	-	-	97
Instructional staff services	117	-	-	117
Administration services	6,107	-	-	6,107
Operation and maintenance of plant services	15,624	-	-	15,624
Transportation services	6,603	-	69,598	76,201
Non-instructional programs	1,845	-	-	1,845
Other expenditures:				
Facilities acquisition	-	-	11,696	11,696
Total expenditures	<u>33,023</u>	<u>51,142</u>	<u>81,294</u>	<u>165,459</u>
Excess (deficiency) of revenues over (under) expenditures	17,808	217	(46,658)	(28,633)
Fund balances beginning of year, as restated	<u>118,404</u>	<u>15,740</u>	<u>34,558</u>	<u>168,702</u>
Fund balances end of year	<u>136,212</u>	<u>15,957</u>	<u>(12,100)</u>	<u>140,069</u>

## ANTHON-OTO COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Drama	188	1	-	2	191
Swing choir	670	86	-	-	756
Instrumental	(239)	4,834	4,880	-	(285)
Pep club	1,440	12	-	-	1,452
Junior high activity	(3,209)	45,401	45,001	7,436	4,627
Student council	206	950	836	-	320
Art club	1,314	10	265	-	1,059
Interest	7,672	-	-	(7,438)	234
Elementary activities	7,698	65	160	-	7,603
Totals	15,740	51,359	51,142	-	15,957

## ANTHON-OTO COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,317,439	1,206,281	1,099,216	1,020,672
Tuition	643,481	44,354	54,739	181,656
Other	79,597	648,439	595,933	542,270
State sources	1,163,985	1,190,033	1,238,431	1,133,747
Federal sources	147,489	164,135	71,986	69,420
Total revenues	<u>3,351,991</u>	<u>3,253,242</u>	<u>3,060,305</u>	<u>2,947,765</u>
Expenditures:				
Instruction:				
Regular instruction	1,610,368	1,456,259	1,474,080	1,483,706
Special instruction	461,575	373,296	374,697	389,935
Other instruction	67,291	155,506	168,955	64,981
Support services:				
Student services	42,480	38,824	38,639	43,785
Instructional staff services	112,507	120,378	105,792	74,809
Administration services	262,634	258,872	268,478	267,728
Operation and maintenance of plant services	184,564	172,268	178,074	157,289
Transportation services	222,870	159,886	178,818	135,660
Non-instructional programs	6,525	1,897	1,603	8,912
Other expenditures:				
Facilities acquisition	11,746	69,778	212,014	30,522
Long-term debt:				
Principal	-	-	-	145,000
Interest and other charges	-	-	-	6,525
AEA flowthrough	88,773	94,110	95,673	91,452
Total expenditures	<u>3,071,333</u>	<u>2,901,074</u>	<u>3,096,823</u>	<u>2,900,304</u>

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

To the Board of Education of the  
Anthon-Oto Community School District:

We have audited the financial statements of the Anthon-Oto Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 21, 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 Anthon-Oto 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-K.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered Anthon-Oto 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 item [04-I-A](#) is a material weakness. Prior year reportable conditions have all been resolved except for item [04-I-A](#) .

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the [Anthon-Oto](#) 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 [Anthon-Oto](#) 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 21, [2004](#).

ANTHON-OTO 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 activities to obtain the maximum internal control possible under the circumstances.

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

Conclusion: Response accepted.

ANTHON-OTO 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 amounts approved were not exceeded during the year ended June 30, 2004.

04-II-B Certified Budget: Disbursements for the year ended June 30, 2004, did not exceed the amounts budgeted.

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: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
Wade Nelson, Board Member	Vehicle Maintenance	1,827

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

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

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

04-II-H Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.

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): [The CAR was filed with the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.](#)

04-II-K Financial Condition: The Student Activity Fund has one account with a deficit balance and the PPEL fund has a deficit balance at June 30, 2004.

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

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

ANTHON-OTO 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-L

Home School Purchases We noted that there were two bible story books purchased for home school students.

Recommendation: The District should continue to monitor these accounts to ensure the district is not purchasing religious books for home school students.

District Response: We will monitor all purchases in the future.

Conclusion: Response accepted.