

AURELIA COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

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## Independent Auditor's Report

To the Board of Education of  
Aurelia 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 Aurelia Community School District, Aurelia, 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 Aurelia 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, Aurelia 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 November 15, 2004, on our consideration of Aurelia 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 13 and 39 through 41 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 Aurelia 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 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.

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

November 15, 2004

## **Aurelia Community School District**

### **Management Discussion & Analysis**

This section of the Aurelia Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2004. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section. Because the Aurelia Community School 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.

#### **Financial Highlights**

- The Aurelia Community School District received REAP funds in the amount of \$34,210 during the fiscal year ended June 30, 2004.
- The State of Iowa imposed a 2.5% reduction in State Foundation Aid, Instructional Support Programs, Educational Excellence Allocations, Teacher Compensation Allocations, and Iowa Early Intervention Allocations in November, which reduced state FY04 revenues by \$28,730 in the General Fund after partial restoration of the reduction.
- Since the reduction occurred mid year, the District had already obligated the resources to fund fiscal 2004 salaries and programs. The District had already made reductions in staff and responded to the State's reduction by further reducing expenditures for the remainder of the year.
- Because of the reduction in costs and the receipt of the REAP funds the District's General Fund balance increased by \$65,187.
- The District increased its unspent balance by \$52,307 after several years of decreases.

#### **Overview of the Financial Statements**

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *Government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

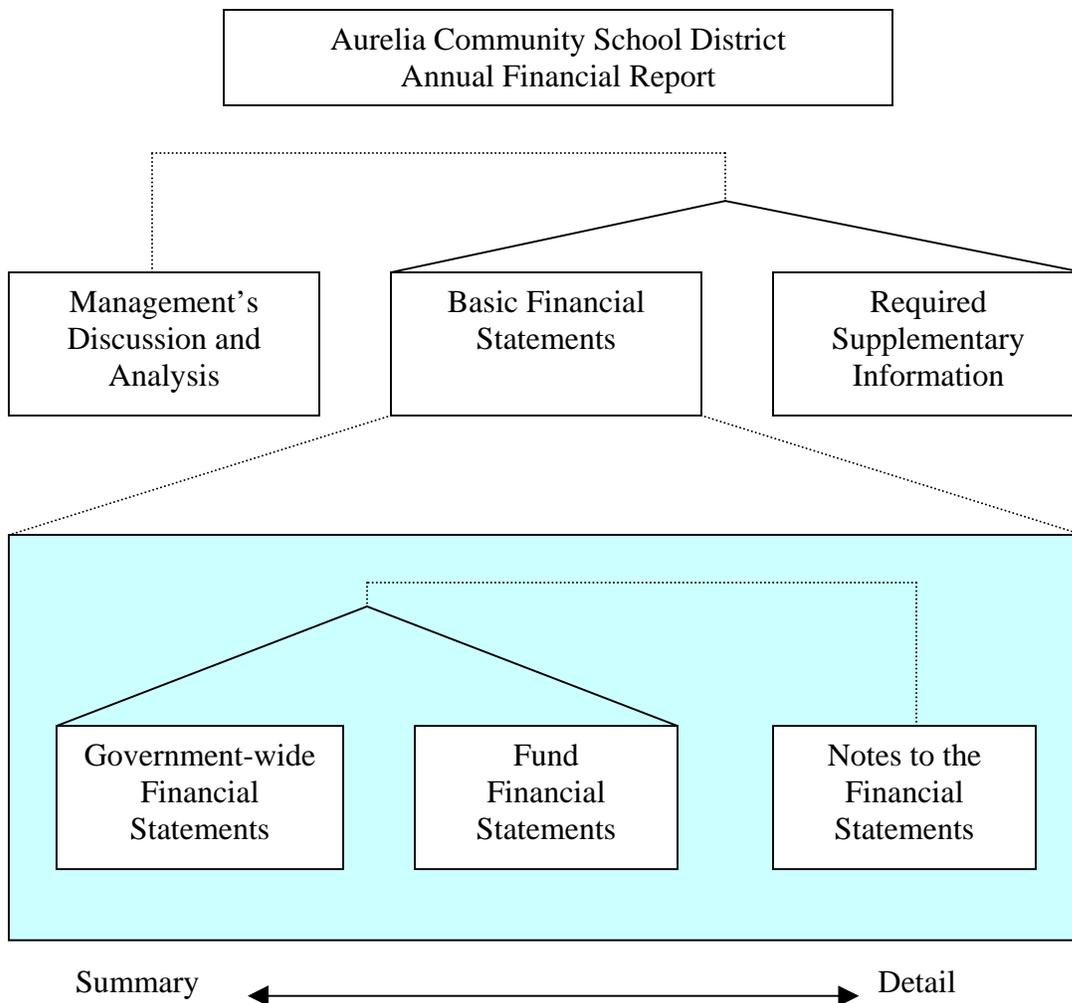
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.
- The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

- *Proprietary funds statements* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- *Fiduciary funds statements* provide information about the relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year.

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

Figure A-1



*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. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

*Figure A-2  
Major Features of the Government-wide and Fund Financial Statements*

	Government-wide Statements	Fund Financial 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 business: food services is included here	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 balance</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 flow</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 and payable	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

### **Government-wide Statements**

The Government-wide 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 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, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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 taxes 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 food service program would be 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:

- *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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements. The

District's governmental funds include the General Fund and Special Revenue Funds that consist of Activity, Management, and Physical Plant and Equipment Levy funds.

- *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 statements. The District's enterprise fund, one type of a proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Scholarship funds. The District accounts for outside donations 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 Government-wide financial statements because it cannot use these assets to finance its operations.

### Financial Analysis of the District as a Whole

**Net assets.** The District's combined net assets were slightly larger on June 30, 2004, than they were the year before, increasing \$103,906 (*see Figure A-3*).

*Figure A-3*

**Condensed Statement of Net Assets**

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total School District</u>
	<u>2004</u>	<u>2004</u>	<u>2004</u>
Current and other assets	\$2,149,905	\$5,128	\$2,155,033
Capital assets	242,420	13,752	256,172
<b>Total Assets</b>	<b><u>2,392,325</u></b>	<b><u>18,880</u></b>	<b><u>2,411,205</u></b>
Long-term liabilities	46,402	-	46,402
Other liabilities	1,265,019	592	1,265,611
<b>Total liabilities</b>	<b><u>1,311,421</u></b>	<b><u>592</u></b>	<b><u>1,312,013</u></b>
Net Assets:			
Invested in capital assets, net of related debt	242,420	13,752	256,172
Restricted	346,272	-	346,272
Unrestricted	492,212	4,536	496,748
<b>TOTAL NET ASSETS</b>	<b><u><u>\$1,080,904</u></u></b>	<b><u><u>\$18,288</u></u></b>	<b><u><u>\$1,099,192</u></u></b>

Net assets is composed of three subgroups, invested in capital assets net of related debt, restricted and unrestricted. 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 are the part of net assets that can be used to finance day-to-day activities without the constraints established by enabling legislation or other legal requirements.

**Changes in net assets.** Fiscal year 2003-2004 marks the initial District implementation of the GASB-34 financial reporting model. As a result, prior year comparisons are not available but will be provided in all subsequent years. *Figure A-4* reflects only totals from the current fiscal year ending June 30, 2004.

*Governmental Activities* -

Referring to *Figure A-4*, revenues for the District's governmental activities were \$2,797,389 for fiscal year 2004. Total governmental expenditures were \$2,687,450.

In a difficult budget year, the District did a remarkable job trimming expenses to match available revenues.

*Figure A-4*

**Changes in Net Assets from Operating Results**

	<u>Governmental Activities</u> <u>2004</u>	<u>Business Type Activities</u> <u>2004</u>	<u>Total School District</u> <u>2004</u>
<b>Revenues</b>			
Program Revenues			
Charges for services	\$165,053	\$49,175	\$214,228
Operating Grants & Contributions	296,335	45,403	341,738
Capital Grants & Contributions	16,584	-	16,584
General Revenues			
Property taxes & other taxes	1,474,327	-	1,474,327
Unrestricted State Grants	835,253	-	835,253
Unrestricted Investment Earnings	8,329	29	8,358
Other Revenue	1,508	-	1,508
<b>Total Revenues</b>	<b>\$2,797,389</b>	<b>\$94,607</b>	<b>\$2,891,996</b>
<b>Expenses</b>			
Instruction	1,755,371	-	1,755,371
Support Services	749,707	-	749,707
Non-Instructional Programs	12,410	100,640	113,050
Other Expenses	169,962	-	169,962
<b>Total Expenses</b>	<b>\$2,687,450</b>	<b>\$100,640</b>	<b>\$2,788,090</b>
Transfers	-	-	-
<b>Change in Net Assets</b>	<b>\$109,939</b>	<b>\$(6,033)</b>	<b>\$103,906</b>

*Figure A-5*

<b>Net Cost of Governmental Activities</b>		
	<b>Total Cost of Services 2004</b>	<b>Net Cost of Services 2004</b>
Instruction	\$1,755,371	\$1,395,223
Support Services	749,707	748,471
Non-instructional Programs	12,410	12,410
Other Expenses	169,962	53,374
<b>TOTAL</b>	<b><u>\$2,687,450</u></b>	<b><u>\$2,209,478</u></b>

*Figure A-5* presents the cost of the District's major governmental activities: instruction, support services, non-instruction programs and other expenses. The table shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions. (As with *Figure A-4*, a two-year comparison with the prior fiscal year is not possible under the new GASB 34 format. In the future a two-year comparison will be provided.)

- The cost of all governmental activities this year was \$2,687,450.
- Some of the cost was financed by the users of the District's programs (\$165,053).
- The federal and state governments and private contributors subsidized certain programs with grants and contributions (\$312,919).
- Most of the District's costs (\$2,209,478), however, were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$1,474,327 in property and other local taxes, and \$845,090 in unrestricted state aid (based in large part on the statewide education aid formula), investment earnings and miscellaneous revenues.

#### *Business Type Activities -*

The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income. The District's business type activities show a decrease in net assets with expenses exceeding revenues \$6,033 (refer to *Figure A-4*). The Board of Education did not increase school meal prices for fiscal year 2004, but made a decision to increase meal prices \$.15 for fiscal year 2005.

### **Financial Analysis of the District's Funds**

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$843,770, slightly more than last year's ending fund balances of \$768,484.

#### **Governmental Fund Highlights**

The General Fund balance increased from \$474,708 to \$539,895, due in part to reductions in staff and other expenditures. The fiscal year ended June 30, 2004 was also the first year the district received REAP funds which helped fund various programs.

The Nonmajor Governmental (Management, Activity Schoolhouse Levy and District Support Trust Fund) Funds balance decreased \$13,640 to \$77,472. .

The Physical Plant and Equipment Levy (PPEL) Fund balance increased \$23,739 to \$226,403. An additional \$.67 per \$1000 taxable valuation was levied for the fiscal year 2004 to help cover the cost of equipment purchases and facility improvements.

### **Business Type Fund Highlights**

The School Nutrition Fund net assets decreased from \$24,231 at June 30, 2003 to \$18,288 at June 30, 2004, representing a decrease of \$6,033. A decrease in the number of meals served along with an increase in the cost of food contributed to the decrease in net assets. Prices for meals were increased for the fiscal year ending June 30, 2005.

### **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. 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 budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Over the course of the year, it was necessary for the District to amend its budget as expenditures were expected to exceed the certified amounts, and in fact did so. Even though the budget was amended disbursements in the non-instructional programs area exceeded the amount budgeted.

During FY04, total revenues were below expectations held when the FY04 budget was assembled in February, 2003. Ultimately, budgeted revenue exceeded actual amounts received by \$17,359. Contributing factors to the shortage of revenue were the Governor's 2.5% across the board cut along with the elimination of Phase III revenues. On the expense side, the District began adjusting to all of these factors, and succeeded in keeping total disbursements below total receipts. It is apparent that even in such a difficult fiscal year in which to accurately predict revenues, the District was able to meet its goal and keep total disbursements \$2,821,124 below total receipts \$2,895,008.

### **Capital Asset and Debt Administration**

## Capital Assets

By the end of 2004, the District had invested \$256,172, net of accumulated depreciation, in a broad range of assets, including school buildings, athletic facilities, transportation equipment, and computer and audio-visual equipment (see *Figure A-6*). This amount represents a net increase of \$16,696 or from last year. (More detailed information about capital assets can be found in Note 4 to the financial statements.) The District was able to stay within its means and not accumulate any debt in FY04. Capital assets were purchased as revenue became available and included a bus as the major addition for the year.

<i>Figure A-6</i>			
<i>Capital Assets (net of depreciation)</i>			
	<b>Governmental Activities 2004</b>	<b>Business Type Activities 2004</b>	<b>Total School District 2004</b>
Land	31,400	-	31,400
Improvements	44,617	-	44,617
Buildings	84,583	-	84,583
Equipment & Furniture	81,820	13,752	95,572
<b>TOTAL</b>	<b><u>242,420</u></b>	<b><u>13,752</u></b>	<b><u>256,172</u></b>

## Long-Term Debt

At June 30, 2004, the District had \$46,402 in early retirement long-term debt outstanding (Figure A-7). This represents a decrease of approximately 14,809 from last year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

<i>Figure A-7</i>		
<i>Long-Term Debt</i>		
	Balance End of 2004	Due Within One Year
Early retirement	<u>46,402</u>	<u>14,809</u>

## Factors Bearing on the District's Future

The District is in good financial health. Budgeting practices such as making sure disbursements do not exceed receipts, even during challenging years like FY04, combined with a solid foundation of cash balance and unspent balance, allow the District to provide the resources needed for excellent student achievement while still keeping the tax burden reasonable. However, projected declines in enrollment are a concern to the District as is the phase-out of the budget guarantee. Costs outside of the Board's control such as continual increases in health

insurance and utility costs are worrisome, and employee contract settlements will also have an effect on the District's financial viability.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Tom Vint, Superintendent, Aurelia Community School District, 300 Ash Street, Aurelia, Iowa 51005.

BASIC FINANCIAL STATEMENTS

## AURELIA COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
Other	812,134	2,067	814,201
Receivables:			
Property tax:			
Delinquent	21,825	-	21,825
Succeeding year	1,249,218	-	1,249,218
Accounts	2,100	1,885	3,985
Accrued interest	356	1	357
Due from other governments	64,272	-	64,272
Inventories	-	1,175	1,175
Capital assets, net of accumulated depreciation	242,420	13,752	256,172
<b>Total assets</b>	<b>2,392,325</b>	<b>18,880</b>	<b>2,411,205</b>
<b>Liabilities</b>			
Accounts payable	9,544	-	9,544
Salaries and benefits payable	6,257	-	6,257
Deferred revenue:			
Succeeding year property tax	1,249,218	-	1,249,218
Other	-	592	592
Long-term liabilities:			
Portion due within one year:			
Early retirement	14,809		14,809
Portion due more than one year:			
Early retirement	31,593	-	31,593
<b>Total liabilities</b>	<b>1,311,421</b>	<b>592</b>	<b>1,312,013</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	242,420	13,752	256,172
Restricted for:			
Phase III	1,194	-	1,194
Gifted and talented program	73,522	-	73,522
Capital outlay	240,880	-	240,880
Other special revenue purposes	30,676	-	30,676
Unrestricted	492,212	4,536	496,748
<b>Total net assets</b>	<b>1,080,904</b>	<b>18,288</b>	<b>1,099,192</b>

See notes to financial statements.

## AURELIA COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

<b>Function/Program</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular instruction	1,208,212	65,358	142,251	-
Special instruction	203,505	14,054	46,196	-
Other instruction	343,654	85,641	6,648	-
	<u>1,755,371</u>	<u>165,053</u>	<u>195,095</u>	<u>-</u>
<b>Support services:</b>				
Student services	74,275	-	1,236	-
Instructional staff services	13,312	-	-	-
Administration services	322,054	-	-	-
Operation and maintenance of plant services	242,816	-	-	-
Transportation services	97,250	-	-	-
	<u>749,707</u>	<u>-</u>	<u>1,236</u>	<u>-</u>
<b>Non-instructional programs</b>	<u>12,410</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other expenditures:</b>				
Facilities acquisition	49,826	-	-	16,584
AEA flowthrough	100,004	-	100,004	-
Depreciation (unallocated)*	20,132	-	-	-
	<u>169,962</u>	<u>-</u>	<u>100,004</u>	<u>16,584</u>
<b>Total governmental activities</b>	<u>2,687,450</u>	<u>165,053</u>	<u>296,335</u>	<u>16,584</u>
<b>Business Type Activities:</b>				
<b>Non-instructional programs:</b>				
Food service operations	100,640	49,175	45,403	-
<b>Total</b>	<u>2,788,090</u>	<u>214,228</u>	<u>341,738</u>	<u>16,584</u>

**General Revenues:**

Property taxes levied for:  
  General purposes  
  Capital outlay  
Income surtax  
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.

## AURELIA 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>
(1,000,603)	-	(1,000,603)
(143,255)	-	(143,255)
(251,365)	-	(251,365)
<u>(1,395,223)</u>	<u>-</u>	<u>(1,395,223)</u>
(73,039)	-	(73,039)
(13,312)	-	(13,312)
(322,054)	-	(322,054)
(242,816)	-	(242,816)
(97,250)	-	(97,250)
<u>(748,471)</u>	<u>-</u>	<u>(748,471)</u>
<u>(12,410)</u>	<u>-</u>	<u>(12,410)</u>
(33,242)	-	(33,242)
-	-	-
<u>(20,132)</u>	<u>-</u>	<u>(20,132)</u>
<u>(53,374)</u>	<u>-</u>	<u>(53,374)</u>
(2,209,478)	-	(2,209,478)
-	(6,062)	(6,062)
<u>(2,209,478)</u>	<u>(6,062)</u>	<u>(2,215,540)</u>
1,305,431	-	1,305,431
126,225	-	126,225
42,671	-	42,671
835,253	-	835,253
8,329	29	8,358
<u>1,508</u>	<u>-</u>	<u>1,508</u>
<u>2,319,417</u>	<u>29</u>	<u>2,319,446</u>
109,939	(6,033)	103,906
<u>970,965</u>	<u>24,321</u>	<u>995,286</u>
<u>1,080,904</u>	<u>18,288</u>	<u>1,099,192</u>

## AURELIA COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2004

	General Fund	Physical Plant and Equipment Levy	Nonmajor Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	526,105	207,944	78,085	812,134
Receivables:				
Property tax:				
Delinquent	19,192	1,820	813	21,825
Succeeding year	1,090,287	103,931	55,000	1,249,218
Accounts	2,100	-	-	2,100
Accrued interest	242	55	59	356
Due from other governments	47,688	16,584	-	64,272
<b>Total assets</b>	<b>1,685,614</b>	<b>330,334</b>	<b>133,957</b>	<b>2,149,905</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	8,059	-	1,485	9,544
Salaries and benefits payable	6,257	-	-	6,257
Deferred revenue:				
Succeeding year property tax	1,090,287	103,931	55,000	1,249,218
Other	41,116	-	-	41,116
Total liabilities	1,145,719	103,931	56,485	1,306,135
Fund balances:				
Reserved for:				
Phase III	1,194	-	-	1,194
Gifted and talented program	73,522	-	-	73,522
Unreserved	465,179	226,403	77,472	769,054
Total fund balances	539,895	226,403	77,472	843,770
<b>Total liabilities and fund balances</b>	<b>1,685,614</b>	<b>330,334</b>	<b>133,957</b>	<b>2,149,905</b>

## AURELIA COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

<b>Total governmental fund balances (Exhibit C)</b>	843,770
<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.	242,420
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	41,116
Long-term liabilities, including early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(46,402)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>1,080,904</u></u>

## AURELIA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	General Fund	Physical Plant and Equipment Levy	Nonmajor Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,295,474	126,225	50,023	1,471,722
Tuition	64,989	-	-	64,989
Other	19,981	2,023	86,389	108,393
State sources	1,028,453	81	34	1,028,568
Federal sources	103,020	16,584	-	119,604
Total revenues	<u>2,511,917</u>	<u>144,913</u>	<u>136,446</u>	<u>2,793,276</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,202,853	-	21,212	1,224,065
Special instruction	203,505	-	-	203,505
Other instruction	245,395	-	97,343	342,738
	<u>1,651,753</u>	<u>-</u>	<u>118,555</u>	<u>1,770,308</u>
Support services:				
Student services	69,198	-	5,077	74,275
Instructional staff services	13,246	-	66	13,312
Administration services	312,528	-	11,171	323,699
Operation and maintenance of plant services	206,501	27,816	8,649	242,966
Transportation services	70,374	53,470	8,854	132,698
	<u>671,847</u>	<u>81,286</u>	<u>33,817</u>	<u>786,950</u>
Non-instructional programs	11,420	-	990	12,410
Other expenditures:				
Facilities acquisition	-	39,888	9,938	49,826
AEA flowthrough	100,004	-	-	100,004
	<u>100,004</u>	<u>39,888</u>	<u>9,938</u>	<u>149,830</u>
Total expenditures	<u>2,435,024</u>	<u>121,174</u>	<u>163,300</u>	<u>2,719,498</u>
Excess (deficiency) of revenues over (under) expenditures	<u>76,893</u>	<u>23,739</u>	<u>(26,854)</u>	<u>73,778</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	451	-	-	451
Sales of materials and equipment	1,057	-	-	1,057
Operating transfers in	-	-	13,214	13,214
Operating transfers out	(13,214)	-	-	(13,214)
Total other financing sources (uses)	<u>(11,706)</u>	<u>-</u>	<u>13,214</u>	<u>1,508</u>
Net changes in fund balances	65,187	23,739	(13,640)	75,286
Fund balances beginning of year, as restated	<u>474,708</u>	<u>202,664</u>	<u>91,112</u>	<u>768,484</u>
Fund balances end of year	<u>539,895</u>	<u>226,403</u>	<u>77,472</u>	<u>843,770</u>

See notes to financial statements.

## AURELIA 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

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		75,286

**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, for governmental activities those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year are as follows:

Expenditures for capital outlays	69,549	
Depreciation Expense	<u>(52,310)</u>	17,239

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.

2,605

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.

Early retirement		<u>14,809</u>
------------------	--	---------------

**Changes in net assets of governmental activities (Exhibit B)**109,939

## AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds  
June 30, 2004

	Nonmajor School Nutrition
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	2,067
Accounts receivable	1,885
Accrued interest	1
Inventories	1,175
Capital assets, net of accumulated depreciation	<u>13,752</u>
<b>Total assets</b>	18,880
<b>Liabilities</b>	
Deferred revenue	<u>592</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	13,752
Unrestricted	<u>4,536</u>
<b>Total net assets</b>	<u><u>18,288</u></u>

## AURELIA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>49,175</u>
Operating expenses:	
Non-instructional programs:	
Salaries	32,450
Benefits	
Purchased services	342
Supplies	65,836
Depreciation	2,012
	<u>100,640</u>
Operating gain (loss)	<u>(51,465)</u>
Non-operating revenue:	
State sources	1,755
Federal sources	43,648
Interest on investments	29
Total non-operating revenue	<u>45,432</u>
Change in net assets	(6,033)
Net assets beginning of year	<u>24,321</u>
Net assets end of year	<u><u>18,288</u></u>

## AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2004

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	49,404
Cash payments to employees for services	(32,450)
Cash payments to suppliers for goods or services	(59,216)
Net cash use in operating activities	<u>(42,262)</u>
Cash flows from non-capital financing activities:	
State grants received	1,755
Federal grants received	36,960
Net cash provided by non-capital financing activities	<u>38,715</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(1,469)</u>
Cash flows from investing activities:	
Interest on investments	<u>30</u>
Net increase (decrease) in cash and cash equivalents	(4,986)
Cash and cash equivalents at beginning of year	<u>7,053</u>
Cash and cash equivalents at end of year	<u><u>2,067</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating gain (loss)	(51,465)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	6,688
Depreciation	2,012
Decrease (increase) in inventories	274
Decrease (increase) in accounts receivable	(65)
(Decrease) increase in deferred revenue	294
Net cash used in operating activities	<u><u>(42,262)</u></u>

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

During the year ended June 30, 2004, the District received \$6,688 of federal commodities.

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2004

	Private Purpose Trust Scholarship <u>          </u> \$	Agency <u>          </u> \$
<b>Assets</b>		
Cash and pooled investments	4,906	312
Accrued interest receivable	<u>10</u>	<u>-</u>
<b>Total Assets</b>	4,916	312
<b>Liabilities</b>		
Accounts payable	<u>-</u>	<u>312</u>
<b>Net Assets</b>		
Reserved for scholarships	<u><u>4,916</u></u>	<u><u>-</u></u>

## AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2004

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	1,500
Interest	59
Total additions	<u>1,559</u>
Deductions:	
Support services:	
Scholarships awarded	<u>600</u>
Change in net assets	959
Net assets beginning of year	<u>3,957</u>
Net assets end of year	<u><u>4,916</u></u>

## AURELIA COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2004

#### 1. Summary of Significant Accounting Policies

Aurelia 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 City of Aurelia Iowa and the predominately agricultural territory in a portion of Cherokee and Buena Vista 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, Aurelia 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 Aurelia Community School District Foundation is a component unit. The Foundation's financial statements have been blended with the financial statements of the District and are included in the District Support Trust Fund.

The Aurelia Community School District Foundation was established to operate exclusively for the benefit of the Aurelia Community School District. The foundation may 1) receive, administer, and distribute funds, property and gifts of any kind, 2) develop, administer and distribute scholarships, 3) develop and administer programs to enhance classroom instruction and 4) may take any other action deemed necessary or desirable to enhance or develop educational programs or facilities.

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 non fiduciary 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 non fiduciary 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 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 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 Physical Plant and Equipment Levy fund is used to account for resources used in the acquisition and construction and repair 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003, through June 30, 2004, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	5,000
Buildings	1,500
Improvements other than buildings	1,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

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	5-25 years
Furniture and equipment	3-15 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 in the non-instructional programs function exceeded the amount budgeted.

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

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain

registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

### 3. Interfund Transfers

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

Transfer to	Transfer from	Amount
		\$
Special Revenue:		
Activity fund	General Fund	13,214

This transfer reflects payment for costs allowed to be paid from the General Fund.

### 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	3,1400	-	-	31,400
Capital assets being depreciated:				
Buildings	693,362	-	-	693,362
Improvements other than buildings	325,883	6,011	-	331,894
Furniture and equipment	566,637	63,538	30,663	599,512
Total capital assets being deprec.	<u>1,585,882</u>	<u>69,549</u>	<u>30,663</u>	<u>1,624,768</u>
Less accumulated depreciation for:				
Buildings	600,012	8,767	-	608,779
Improvements other than buildings	276,175	11,102	-	287,277
Furniture and equipment	515,914	32,441	30,663	517,692
Total accumulated depreciation	<u>1,392,101</u>	<u>52,310</u>	<u>30,663</u>	<u>1,413,748</u>
Total capital assets being Depreciated, net	<u>193,781</u>	<u>17,239</u>	-	<u>211,020</u>
Governmental activities capital assets, net	<u>225,181</u>	<u>17,239</u>	-	<u>242,420</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	24,460	1,469	-	25,929
Less accumulated depreciation	<u>10,165</u>	<u>2,012</u>	-	<u>12,177</u>
Business type activities capital assets, net	<u>14,295</u>	<u>(543)</u>	-	<u>13,752</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	10,843
Other	916
Support Services:	
Administration services	411
Operation and maintenance of plant services	1,986
Transportation	<u>18,022</u>
	32,178
Unallocated depreciation	<u>20,132</u>
Total governmental activities depreciation expense	<u>52,310</u>
Business type activities:	
Food service operations	<u>2,012</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>61,211</u>	-	<u>14,809</u>	<u>46,402</u>	<u>14,809</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 ten years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on salary. Early retirement expenditures for the year ended June 30, **2004** totaled \$14,809.

## 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 \$84,606, \$86,443, and \$90,454 respectively, equal to the required contributions for each year.

## 7. Risk Management

Aurelia 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 \$206,037.

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.

Aurelia 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 \$100,004 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	Physical Plant & Equipment	Nonmajor	
Net assets, June 30, 2003, as previously reported	\$ 474,708	202,664	\$ 88,644	\$ 766,016
GASB Interpretation 6 adjustments	-	-	2,468	2,468
Net assets, July 1, 2003, as restated for governmental funds	<u>474,708</u>	<u>202,664</u>	<u>91,112</u>	768,484
GASB 34 adjustments:				
Capital assets net of accumulated depreciation of \$1,392,101				225,181
Long-term liabilities:				
Early retirement				(61,211)
Deferred revenue				<u>385,11</u>
Net assets, July 1, 2003, as restated				<u>970,965</u>

REQUIRED SUPPLEMENTAL INFORMATION

AURELIA COMMUNITY SCHOOL DISTRICT

Budget 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 Fund Types Actual \$	Proprietary Fund Type Actual \$	Net \$	Budgeted Amounts		Final to Actual Variance - Positive (Negative) \$
				Original	Final	
					\$	
<b>Receipts:</b>						
Local sources	1,653,451	49,434	1,702,885	1,674,163	1,674,163	28,722
State sources	1,028,736	1,755	1,030,491	1,117,279	1,117,279	(86,788)
Federal sources	117,984	43,648	161,632	120,925	120,925	40,707
Total receipts	<u>2,800,171</u>	<u>94,837</u>	<u>2,895,008</u>	<u>2,912,367</u>	<u>2,912,367</u>	<u>(17,359)</u>
<b>Disbursements:</b>						
Instruction	1,772,701	-	1,772,701	1,749,378	1,800,000	27,299
Support services	786,732	-	786,732	869,834	869,834	83,102
Noninstructional programs	12,038	99,823	111,861	105,401	110,400	(1,461)
Other expenditures	149,830	-	149,830	207,189	207,189	57,359
Total disbursements	<u>2,721,301</u>	<u>99,823</u>	<u>2,821,124</u>	<u>2,931,802</u>	<u>2,987,423</u>	<u>166,299</u>
Excess (deficiency) of receipts over (under) disbursements	78,870	(4,986)	73,884	(19,435)	(75,056)	148,940
Other financing sources (uses) net	<u>1,508</u>	<u>-</u>	<u>1,508</u>	<u>-</u>	<u>-</u>	<u>1,508</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	80,378	(4,986)	75,392	(19,435)	(75,056)	150,448
Balance beginning of year	<u>731,756</u>	<u>7,053</u>	<u>738,809</u>	<u>749,822</u>	<u>749,822</u>	<u>(11,013)</u>
Balance end of year	<u><u>812,134</u></u>	<u><u>2,067</u></u>	<u><u>814,201</u></u>	<u><u>730,387</u></u>	<u><u>674,766</u></u>	<u><u>139,435</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Year ended June 30, 2004

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	2,800,171	(6,895)	2,793,276
Expenditures	2,721,301	(1,803)	2,719,498
Net	78,870	(5,092)	73,778
Other financing sources (uses) net	1,508	-	1,508
Beginning fund balances	731,756	36,728	768,484
Ending fund balances	812,134	31,636	843,770

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	\$	\$	\$
Revenues	94,837	(230)	94,607
Expenditures	99,823	817	100,640
Net	(4,986)	(1,047)	(6,033)
Beginning fund balances	7,053	17,268	24,321
Ending fund balances	2,067	16,221	18,288

AURELIA 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 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 by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by [\\$55,621](#)

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

OTHER SUPPLEMENTAL INFORMATION

## AURELIA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2004

Special Revenue Funds

Assets	<u>Special Revenue Funds</u>				Total
	<u>Management</u>	<u>Student Activity Fund</u>	<u>67.5 Cent Levy</u>	<u>District Support Trust Funds</u>	
	\$	\$	\$	\$	\$
Cash and pooled investments	31,500	18,591	14,425	13,569	78,085
Receivables:					
Property tax:					
Delinquent	813	-	-	-	813
Succeeding year	55,000	-	-	-	55,000
Accrued interest	6	1	52	-	59
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>87,319</u>	<u>18,592</u>	<u>14,477</u>	<u>13,569</u>	<u>133,957</u>
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	1,485	-	-	1,485
Deferred revenue:					
Succeeding year property tax	55,000	-	-	-	55,000
Total liabilities	<u>55,000</u>	<u>1,485</u>	<u>-</u>	<u>-</u>	<u>56,485</u>
Fund balances:					
Unreserved fund balance	<u>32,319</u>	<u>17,107</u>	<u>14,477</u>	<u>13,569</u>	<u>77,472</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>87,319</u>	<u>18,592</u>	<u>14,477</u>	<u>13,569</u>	<u>133,957</u>

## AURELIA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Special Revenue Funds				Total
	Management	Student Activity Fund	67.5 Cent Levy	District Support Trust Funds	
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	50,023	-	-	-	50,023
Other	83	81,906	665	3,735	86,389
State sources	34	-	-	-	34
Total revenues	<u>50,140</u>	<u>81,906</u>	<u>665</u>	<u>3,735</u>	<u>136,446</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	21,212	-	-	-	21,212
Other instruction	-	97,343	-	-	97,343
Support services:					
Student services	714	-	-	4,363	5,077
Instructional staff services	66	-	-	-	66
Administration services	11,171	-	-	-	11,171
Operation and maintenance of plant services	8,649	-	-	-	8,649
Transportation services	8,854	-	-	-	8,854
Non-instructional programs	990	-	-	-	990
Other expenditures:					
Facilities acquisition	-	-	9,938	-	9,938
Total expenditures	<u>51,656</u>	<u>97,343</u>	<u>9,938</u>	<u>4,363</u>	<u>163,300</u>
Excess (deficiency) of revenues over (under) expenditures	(1,516)	(15,437)	(9,273)	(628)	(26,854)
Other financing sources (uses):					
Operating transfers in	-	13,214	-	-	13,214
Net changes in fund balances	(1,516)	(2,223)	(9,273)	(628)	(13,640)
Fund balance beginning of year, as restated	<u>33,835</u>	<u>19,330</u>	<u>23,750</u>	<u>14,197</u>	<u>91,112</u>
Fund balance end of year	<u><u>32,319</u></u>	<u><u>17,107</u></u>	<u><u>14,477</u></u>	<u><u>13,569</u></u>	<u><u>77,472</u></u>

## AURELIA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

<u>Account</u>	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End
	Beginning of Year				of Year
	\$	\$	\$	\$	\$
Honor Society	325	858	1,204	213	192
Music fund raiser	216	684	752	-	148
Interest	28	167	37	36	194
Positive	109	-	-	-	109
AFS	183	-	-	-	183
Travel group	-	147	-	-	147
JH sports	-	5,091	5,056	(35)	-
Speech	-	348	308	-	40
Drama	2,415	910	1,242	-	2,083
HS Thespian Troupe	-	2,102	1,973	-	129
Vocal	513	482	383	-	612
Instrumental music	441	1,232	1,060	-	613
Annual staff	6,297	6,555	8,404	210	4,658
Student council	2,331	15,932	15,800	(782)	1,681
k-8 student council	617	1,929	1,755	(309)	482
Class of 2002	(1)	1	-	-	-
Class of 2004	4,121	3,846	7,975	8	-
Class of 2005	626	16,801	12,615	(405)	4,407
Class of 2006	132	311	-	-	443
Class of 2007	-	135	-	-	135
Aurelia sports	1	30,657	30,897	239	-
Wrestling	-	3,226	3,226	-	-
Wr Cheerleaders	-	-	255	315	60
Cheerleaders	497	755	879	210	583
Drill team	1,000	2,891	2,498	300	1,693
Revolving	-	65	65	-	-
Beginning accruals	(521)	(5)	(526)	-	-
Ending accruals	-	-	1,485	-	(1,485)
Totals	19,330	95,120	97,343	-	17,107

## AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2004

	<u>Total</u> \$
Balance beginning of year	181
Additions:	
Collections	459
Deductions:	
Miscellaneous	<u>328</u>
Balance end of year	<u><u>312</u></u>

## AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Fund Types  
For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
<b>Revenues:</b>				
Local sources:				
Local tax	1,471,722	1,400,408	1,362,997	1,280,226
Tuition	64,989	77,439	54,745	56,094
Other	108,393	107,951	109,779	106,454
State sources	1,028,568	1,172,964	1,155,497	1,329,519
Federal sources	119,604	66,586	55,663	44,736
	<u>2,793,276</u>	<u>2,825,348</u>	<u>2,738,681</u>	<u>2,817,029</u>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	1,224,065	1,254,009	1,291,047	1,275,807
Special instruction	203,505	191,525	239,632	199,963
Other instruction	342,738	338,009	316,732	303,338
Support services:				
Student services	74,275	50,819	63,869	62,446
Instructional staff services	13,312	28,350	39,158	40,485
Administration services	323,699	327,800	305,261	346,644
Operation and maintenance of plant services	242,966	225,585	219,572	235,518
Transportation services	132,698	88,970	87,451	126,426
Central support services	-	-	-	1,100
Non-instructional programs	12,410	10,907	13,310	12,301
Other expenditures:				
Facilities acquisition	49,826	31,803	144,892	123,369
AEA flowthrough	100,004	108,391	108,262	115,249
	<u>2,719,498</u>	<u>2,656,168</u>	<u>2,829,186</u>	<u>2,842,646</u>

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

To the Board of Education of the  
[Aurelia](#) Community School District:

We have audited the financial statements of the [Aurelia](#) Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated November 15, 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 [Aurelia](#) 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.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered [Aurelia](#) 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 [Aurelia](#) 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 [Aurelia](#) 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

November 15, [2004](#)

AURELIA 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.

AURELIA 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 recorded in the minutes during the year ended June 30, 2004.

Recommendation: The District should record the official depository amounts in minutes each year.

District Response: We will record the amount of our depository resolutions in the minutes in the future.

Conclusion: Response accepted.

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

Recommendation: The budget was amended in accordance with Chapter 24.9 of the Code of Iowa but not in sufficient amounts for the non-instructional function.

District Response: We amended our budget however it was not enough to cover expenditures for the balance of the year.

Conclusion: Response accepted.

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

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

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

**04-II-F** Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of 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: No variances in the basic enrollment data certified to the Department of Education were noted.

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

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

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 Department of Education timely, and we noted no significant deficiencies in the amounts reported.

04-II-K Bank Accounts: We noted a teacher "cooking" bank account using the District's federal identification number but the transactions were not a part of the district records nor are they under control of the district.

Recommendation: The bank account should use its own federal identification number and not be allowed to use the District number unless the account is under control of the District.

District Response: We will talk to them about this issue.

Conclusion: Response accepted.