

ST. ANSGAR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

- Prepared By -

Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616-2036
Telephone (641)257-4222

ST. ANSGAR COMMUNITY SCHOOL DISTRICT

TABLE OF CONTENTS

		<u>PAGE</u>
<u>OFFICIALS</u>		1
<u>INDEPENDENT AUDITOR'S REPORT</u>		2-3
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>		4-13
 <u>BASIC FINANCIAL STATEMENTS:</u>		
	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Net Assets	A	14
Statement of Activities	B	15-19
Governmental Fund Financial Statements:		
Balance Sheet	C	20-21
Reconciliation of the Balance Sheet - Governmental Funds the Statement of Net Assets	D	22
Statement of Revenues, Expenditures and Changes in Fund Balances	E	23-24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	25
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	26
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	27
Statement of Cash Flows	I	28-29
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	30
Statement of Changes in Fiduciary Net Assets	K	31
Notes to Financial Statements		32-44
 <u>REQUIRED SUPPLEMENTARY INFORMATION:</u>		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds		45-46
Budget to GAAP Reconciliation		47
Notes to Required Supplementary Information - Budgetary Reporting		48
 <u>OTHER SUPPLEMENTARY INFORMATION:</u>		
	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	49
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	50

ST. ANSGAR COMMUNITY SCHOOL DISTRICT

TABLE OF CONTENTS

OTHER SUPPLEMENTARY INFORMATION - continued

Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	51-52
Schedule of Revenues by Source and Expenditures by Function - All Governmental funds	4	53

<u>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING</u>		54-55
--	--	-------

<u>SCHEDULE OF FINDINGS</u>		56-58
---------------------------------------	--	-------

ST. ANSGAR COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2003 Election)		
Jack Morrow	President	2005
Patti Rustad	Vice-President	2005
Glen Cimmiyotti	Board Member	2003
Karla Smith	Board Member	2005
Allan Stelpflug	Board Member	2003
Carl Adams	Board Member	2004
Elaine Steinberg	Board Member	2004
(After September 2003 Election)		
Jack Morrow	President	2005
Patti Rustad	Vice-President	2005
Glenn Cimmiyotti	Board Member	2006
Allan Stelpflug	Board Member	2006
Carol Adams	Board Member	2004
Elaine Steinberg	Board Member	2004
Karla Smith	Board Member	2005
<u>School Officials</u>		
Dwight Widen	Superintendent	June 30, 2004
Lisa Groth	District Secretary/ Treasurer	June 30, 2004
Patrick Rourick	Attorney	June 30, 2004

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
St. Ansgar Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the St. Ansgar Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my 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 the St. Ansgar Community School District at 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 10 to the financial statements, during the year ended June 30, 2004, the St. Ansgar Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, I have also issued my report dated October 4, 2004 on my consideration of the St. Ansgar Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 45 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the St. Ansgar Community School District's basic financial statements. I 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. Other supplementary 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 my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 4, 2004

St. Ansgar 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 decreased from \$5,117,652 in fiscal 2003 to \$5,059,897 in fiscal 2004, while General Fund expenditures increased from \$4,937,595 in fiscal 2003 to \$5,153,882 in fiscal 2004. The District's General Fund balance decreased from \$149,112 in fiscal 2003 to \$56,252 in fiscal 2004, a 62% decrease.

The decrease in General Fund revenues was attributable to a decrease in state and federal grant revenue in fiscal 2004. The district has been taxing a cash reserve levy to work towards fully funding the district's unspent balance. The district taxed \$105,000 during fiscal 2004 for this purpose. During fiscal 2004 the state made across the board cuts to school funding that reduced the school district's state aid payments by approximately \$57,716, but they did not reduce the district's spending authority. The district also had a special education deficit for fiscal 2004 of \$74,130 which adversely affected the district's General Fund balance. Another item that affected the General Fund balance was the accrual of a payable for tuition to another school district in the amount of \$42,292.

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 \$25,652 in fiscal 2003 to \$7,089 in fiscal 2004.

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 St. Ansgar Community School District as a whole and present an overall view of the District's finances.

- 4 -

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

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

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

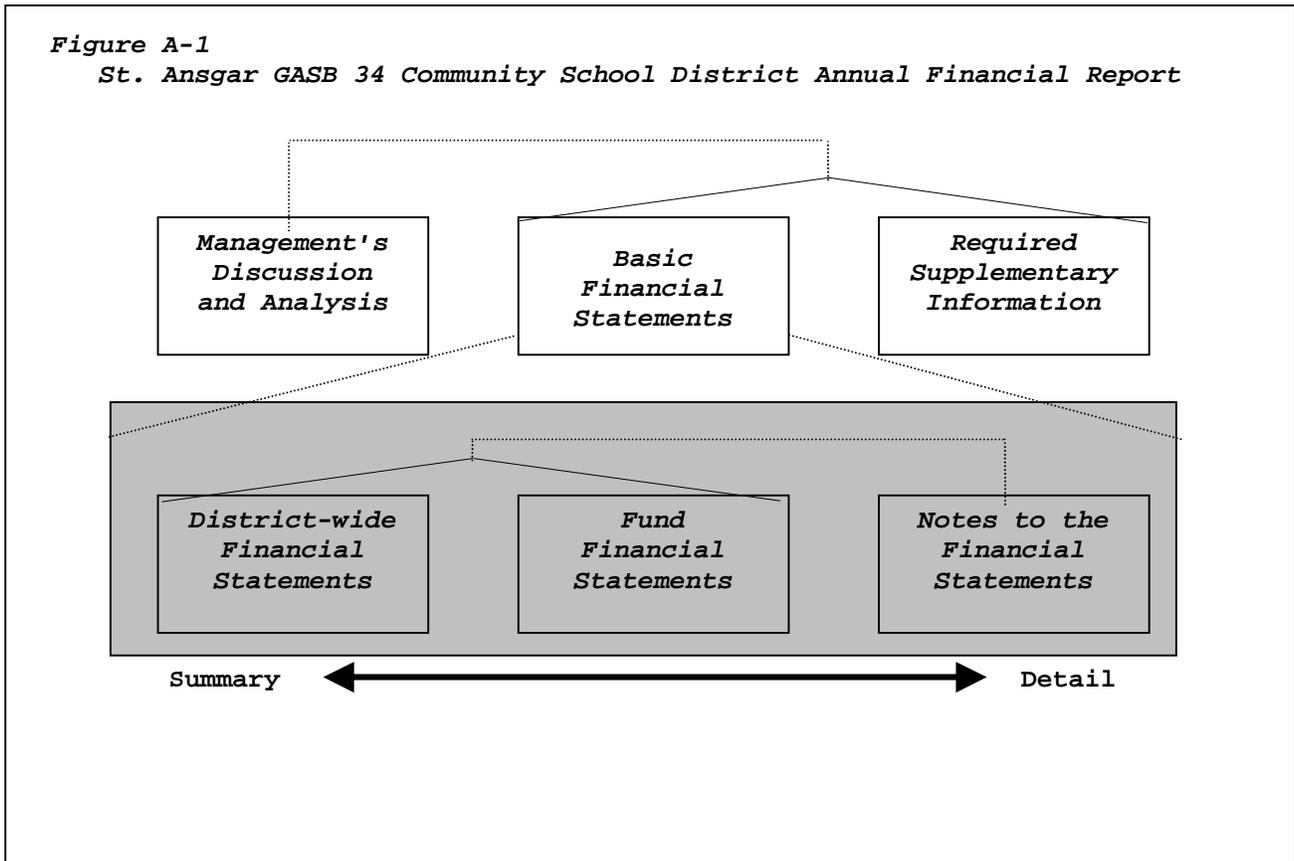


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and FFA Farm	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	
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, state aid, federal aid, 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 and Special Revenue Funds.

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business

type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the FFA Farm.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
- o Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
 - o Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The table below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

Condensed Statement of Net Assets								
(Expressed in Thousands)								
	<u>Governmental Activities</u>		<u>Business type Activities</u>		<u>Total District</u>		<u>Total Change</u>	
	June 30,		June 30,		June 30,		June 30,	
	2004	2003	2004	2003	2004	2003	2003 - 2004	
Current and other assets	\$ 6,567	\$ 1,931	\$ 22	\$ 40	\$ 6,589	\$ 1,971	234%	
Capital assets	3,463	3,615	10	10	3,473	3,625	(4)	
Total assets	<u>\$ 10,030</u>	<u>\$ 5,546</u>	<u>\$ 32</u>	<u>\$ 50</u>	<u>\$10,062</u>	<u>\$ 5,596</u>	<u>80%</u>	

Long-term liabilities	\$ 7,195	\$ 2,575	\$ -	\$ -	\$ 7,195	\$ 2,575	179%
Other liabilities	<u>1,264</u>	<u>1,412</u>	<u>4</u>	<u>4</u>	<u>1,268</u>	<u>1,416</u>	<u>(10)</u>
Total Liabilities	\$ <u>8,459</u>	\$ <u>3,987</u>	\$ <u>4</u>	\$ <u>4</u>	\$ <u>8,463</u>	\$ <u>3,991</u>	<u>112%</u>
Net assets:							
Invested in capital assets, net of related debt	\$ 1,028	\$ 1,040	\$ 10	\$ 10	\$ 1,038	\$ 1,050	(1)%
Restricted	99	34	-	-	99	34	191
Unrestricted	<u>444</u>	<u>485</u>	<u>18</u>	<u>36</u>	<u>462</u>	<u>521</u>	<u>(11)</u>
Total net Assets	\$ <u>1,571</u>	\$ <u>1,559</u>	\$ <u>28</u>	\$ <u>46</u>	\$ <u>1,599</u>	\$ <u>1,605</u>	<u>1%</u>

The District's combined net assets decreased by nearly 1%, or approximately \$6,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$65,000, or 191% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy Fund.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$59,000, or 11%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

- 9 -

The table below shows the change in net assets for the year ended June 30, 2004.

	Changes in Net Assets		
	(Expressed in Thousands)		
	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$ 371	\$ 168	\$ 539
Operating grants, contributions and restricted interest	561	107	668
General Revenues:			
Property tax	2,970	-	2,970
Local option sales and service tax	166	-	166
Unrestricted state grants	2,001	-	2,001
Unrestricted investment			
Earnings	13	-	13
Other	35	-	35
Total revenues	\$ <u>6,117</u>	\$ <u>275</u>	\$ <u>6,392</u>
Program expenses:			
Governmental activities:			
Instruction	\$ 3,840	\$ -	\$ 3,840
Support services	1,575	-	1,575

Non-instructional programs	2	294	296
Other expenses	690	-	690
Total expenses	<u>\$ 6,107</u>	<u>\$ 294</u>	<u>\$ 6,401</u>
Change in net assets	<u>\$ 10</u>	<u>\$ (19)</u>	<u>\$ (9)</u>

Property tax and unrestricted state grants account for 78% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,920,725 and expenses were \$6,085,172. In a difficult budget year, the District worked towards balancing the budget by trimming expenses to match available limited revenues.

- 10 -

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

	Total and Net Cost of Governmental Activities	
	(Expressed in Thousands)	
	<u>Total Cost</u>	<u>Net Cost</u>
	<u>of Services</u>	<u>of Services</u>
Instruction	\$ 3,840	\$ 3,135
Support services	1,575	1,571
Non-instructional programs	2	2
Other expenses	<u>691</u>	<u>466</u>
Totals	<u>\$ 6,108</u>	<u>\$ 5,174</u>

The cost financed by users of the District's programs was \$371,243.

Federal and state governments subsidized certain programs with grants and contributions total \$561,427.

The net cost of governmental activities was financed with \$3,136,010 in property and other taxes and \$2,001,040 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$275,607 and expenses were \$294,327. The District's business type activities include the School Nutrition Fund and FFA Farm. 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 increased meal prices. This increase resulted in increased revenue to the School Nutrition Fund which helped offset operating expenses.

INDIVIDUAL FUND ANALYSIS

As previously noted, St. Ansgar 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 \$1,570,671, above last year's ending fund balances of \$1,560,473.

Governmental Fund Highlights

The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.

The General Fund balance decreased from \$149,112 to \$56,252, due in part to state aid reductions for fiscal 2004, a large special education deficit for fiscal 2004, tuition payable to another school district, and existing expenditure commitments of the District.

The Debt Service Fund balance increased from \$20,419 in fiscal 2003 to \$2,339,553 in fiscal 2004. The District issued refinancing bonds during the year and will call the original bonds in the next fiscal year.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$46,174 at June 30, 2003 to \$27,454 at June 30, 2004, representing a decrease of approximately 41%. For fiscal 2004, the District increased meal prices to help offset operating expenses.

BUDGETARY HIGHLIGHTS

Over the course of the year, St. Ansgar Community School District amended its annual budget one time to reflect general obligation bond refunding.

The District's receipts were \$142,630 less than budgeted receipts, a variance of 2%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$3,473,178, 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-3) This represents a net decrease of 4% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$228,144.

The original cost of the District's capital assets was \$8,235,946. Governmental funds account for \$8,152,342, with the remainder of \$83,604 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category.

Figure A-3
Capital Assets, net of Depreciation
(expressed in thousands)

	Governmental Activities		Business type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2004	2003	2004	2003	2004	2003	2004	2003
Land	\$ 66	\$ 66	\$ -	\$ -	\$ 66	\$ 66	-	%
Buildings and improvements	3,123	3,218	-	-	3,123	3,218	(3)	%
Furniture and equipment	<u>274</u>	<u>331</u>	<u>10</u>	<u>10</u>	<u>284</u>	<u>341</u>	(17)	%
Totals	<u>\$3,463</u>	<u>\$3,615</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$3,473</u>	<u>\$3,625</u>	(4)	%

Long-Term Debt

At June 30, 2004, the District had \$4,825,000 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 87% from last year. (See Figure A-4) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

In March 2004, the District issued \$2,390,000 in general obligation refunding bonds. The District plans to call the bond issue dated October 1, 1998 on its call date of June 1, 2005.

Figure A-4
Outstanding Long-Term Obligations
(expressed in thousands)

	Total District		Total Change
	June 30,		June 30,
	2004	2003	2003-2004
General obligation bonds	<u>\$ 4,825</u>	<u>\$ 2,575</u>	<u>87%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

The District levied a \$150,000 Cash Reserve Levy for fiscal 2005 to help increase the General Fund balance.

Fiscal 2004 was the second of a three-year contract with the St. Ansgar Education Association. The District will negotiate a new agreement during fiscal 2005. Future settlements and continued minimal allowable growth in state funding may have an adverse effect on the District's General Fund budget and related fund balance.

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 Lisa Groth, District Secretary, St. Ansgar Community School District, St. Ansgar, Iowa, 50472.

- 14 -

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2004

EXHIBIT A

<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
<u>Activities</u>	<u>Activities</u>	

ASSETS AND OTHER DEBITS:

Cash and investments	\$ 3,329,216	\$ 18,947	\$ 3,348,163
Receivables:			
Property tax:			
Delinquent	36,459	-	36,459
Succeeding year	2,370,000	-	2,370,000
Income surtaxes	195,368	-	195,368
Accounts	16,892	-	16,892
Due from other governments	19,134	-	19,134
Inventories	5,234	2,260	7,494
Restricted ISCAP assets: (Note 3)			
Investments	595,172	-	595,172
Capital assets, net of accumulated depreciation	<u>3,462,782</u>	<u>10,396</u>	<u>3,473,178</u>
Total assets	<u>\$10,030,257</u>	<u>\$ 31,603</u>	<u>\$10,061,860</u>

LIABILITIES:

Accounts payable	\$ 127,782	\$ 60	\$ 127,842
Salaries and benefits payable	528,804	-	528,804
ISCAP warrants payable (Note 3)	608,000	-	608,000
Deferred revenue:			
Succeeding year property tax	2,370,000	-	2,370,000
Other	-	4,116	4,116
Long term liabilities:			
Portion due within one year:			
General obligation bonds payable	145,000	-	145,000
Portion due after one year:			
General obligation bonds payable	<u>4,680,000</u>	<u>-</u>	<u>4,680,000</u>
Total liabilities	<u>\$ 8,459,586</u>	<u>\$ 4,176</u>	<u>\$8,463,762</u>

NET ASSETS:

Investment in capital assets, net of related debt	\$ 1,027,782	\$ 10,396	\$1,038,178
Restricted for:			
Management levy	24,108	-	24,108
Physical plant and equipment levy	74,611	-	74,611
Unrestricted	<u>444,170</u>	<u>17,031</u>	<u>461,201</u>
Total net assets	<u>\$ 1,570,671</u>	<u>\$ 27,427</u>	<u>\$1,598,098</u>

See Notes to Financial Statements.

- 15 -

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Statement of Activities
Year ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	\$2,643,027	\$ 122,424	\$ 332,797	\$ -
Special instruction	664,163	21,663	-	-
Other instruction	532,842	223,894	3,493	-
	<u>\$3,840,032</u>	<u>\$ 367,981</u>	<u>\$ 336,290</u>	<u>\$ -</u>

Support services:				
Student services	\$ 114,685	\$ -	\$ -	\$ -
Instructional staff				
Services	181,098	664	-	-
Administration				
Services	525,642	-	-	-
Operation and				
maintenance of plant				
services	433,465	2,598	-	-
Transportation services	319,713	-	-	-
	<u>\$1,574,603</u>	<u>\$ 3,262</u>	<u>\$ -</u>	<u>\$ -</u>
Non-instructional programs	<u>\$ 1,844</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other expenditures:				
Facilities acquisition	\$ 41,776	\$ -	\$ 13,990	\$ -
Long-term debt interest	210,835	-	-	-
AEA flowthrough	211,147	-	211,147	-
Depreciation(unallocated)*	226,783	-	-	-
	<u>\$ 690,541</u>	<u>\$ -</u>	<u>\$ 225,137</u>	<u>\$ -</u>
Total governmental				
activities	<u>\$6,107,020</u>	<u>\$ 371,243</u>	<u>\$ 561,427</u>	<u>\$ -</u>
Business type activities:				
Non-instructional programs:				
Food service operations	\$ 292,054	\$ 166,454	\$ 107,340	\$ -
FFA Farm	<u>2,273</u>	<u>1,656</u>	<u>-</u>	<u>-</u>
Total business type				
activities	<u>\$ 294,327</u>	<u>\$ 168,110</u>	<u>\$ 107,340</u>	<u>\$ -</u>
Total	<u>\$6,401,347</u>	<u>\$ 539,353</u>	<u>\$ 668,767</u>	<u>\$ -</u>

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

(Continued)

- 16 -

EXHIBIT B

**Net (Expense) Revenue
And Changes in Net Assets**

<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
\$ (2,187,806)	\$ -	\$ (2,187,806)
(642,500)	-	(642,500)
(305,455)	-	(305,455)
<u>\$ (3,135,761)</u>	<u>\$ -</u>	<u>\$ (3,135,761)</u>
\$ (114,685)	\$ -	\$ (114,685)
(180,434)	-	(180,434)
(525,642)	-	(525,642)

(430,867)	-	(430,867)
(319,713)	-	(319,713)
<u>\$(1,571,341)</u>	<u>\$ -</u>	<u>\$(1,571,341)</u>
<u>\$ (1,844)</u>	<u>\$ -</u>	<u>\$ (1,844)</u>
\$ (27,786)	\$ -	\$ (27,786)
(210,835)	-	(210,835)
-	-	-
(226,783)	-	(226,783)
<u>\$ (465,404)</u>	<u>\$ -</u>	<u>\$ (465,404)</u>
<u>\$(5,174,350)</u>	<u>\$ -</u>	<u>\$(5,174,350)</u>
\$ -	\$ (18,260)	\$ (18,260)
-	(617)	(617)
<u>\$ -</u>	<u>\$ (18,877)</u>	<u>\$ (18,877)</u>
<u>\$(5,174,350)</u>	<u>\$ (18,877)</u>	<u>\$(5,193,227)</u>

- 17 -

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Statement of Activities
Year ended June 30, 2004

	Program Revenues		
	Operating Grants, Charges for Service	Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses	Service	Interest	Interest

General Revenues:

Property tax levied for:

- General purposes
- Debt service
- Capital outlay

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

See Notes to Financial Statements.

- 18 -

EXHIBIT B
(Continued)

**Net (Expense) Revenue
And Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 2,606,708	\$ -	\$ 2,606,708
278,560	-	278,560
84,755	-	84,755
165,987	-	165,987
2,001,040	-	2,001,040
13,029	157	13,186
<u>34,469</u>	<u>-</u>	<u>34,469</u>
\$ 5,184,548	\$ 157	\$ 5,184,705
\$ 10,198	\$ (18,720)	\$ (8,522)
<u>1,560,473</u>	<u>46,174</u>	<u>1,606,647</u>
<u>\$ 1,570,671</u>	<u>\$ 27,454</u>	<u>\$ 1,598,125</u>

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 Balance Sheet
 Governmental Funds
 June 30, 2004

	<u>General</u>	<u>Debt Service</u>
ASSETS:		
Cash and investments	\$ 622,071	\$2,335,688
Receivables:		
Property taxes:		
Current year delinquent	30,152	3,865
Succeeding year	2,027,445	115,751
Income surtax	195,368	-
Accounts receivable	1,866	-
Due from other governments	19,134	-
Inventories	5,234	-
Restricted ISCAP assets: (Note 3)		
Investments	<u>595,172</u>	<u>-</u>
Total assets	<u>\$3,496,442</u>	<u>\$2,455,304</u>
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts payable	\$ 80,573	\$ -
Salaries and benefits payable	528,804	-
ISCAP warrants payable (Note 3)	608,000	-
Deferred revenue:		
Succeeding year property tax	2,027,445	115,751
Other	<u>195,368</u>	<u>-</u>
Total liabilities	<u>\$3,440,190</u>	<u>\$ 115,751</u>
Fund balances:		
Reserved for debt service	\$ -	\$2,339,553
Unreserved	56,252	-
Total fund balances	<u>\$ 56,252</u>	<u>\$2,339,553</u>
Total liabilities and fund balances	<u>\$3,496,442</u>	<u>\$2,455,304</u>

See Notes to Financial Statements.

<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 307,285	\$3,265,044
2,442	36,459
226,804	2,370,000
-	195,368
14,871	16,737
-	19,134
-	5,234
-	595,172
<u>\$ 551,402</u>	<u>\$6,503,148</u>
\$ 47,209	\$ 127,782
-	528,804
-	608,000
226,804	2,370,000
-	195,368
<u>\$ 274,013</u>	<u>\$3,829,954</u>
\$ -	\$2,339,553
277,389	333,641
<u>\$ 277,389</u>	<u>\$2,673,194</u>
<u>\$ 551,402</u>	<u>\$6,503,148</u>

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Balance Sheet - Governmental Funds
 To the Statement of Net Assets
 June 30, 2004

Total fund balances of governmental funds (page 21)	\$2,673,194
 <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.	3,462,782
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	195,368
The Internal Service Funds re used by management to charge the costs of employee health expenses to individual funds. The assets of the Internal Service Funds are reported as assets in the governmental funds.	64,327
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(4,825,000)</u>
Net assets of governmental activities (page 15)	<u>\$1,570,671</u>

See Notes to Financial Statements.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$2,325,017	\$ 277,932	\$ 336,895	\$2,939,844
Tuition	132,425	-	-	132,425
Other	49,844	1,409	243,794	295,047
State sources	2,409,846	628	170	2,410,644
Federal sources	142,765	-	-	142,765
Total revenues	<u>\$5,059,897</u>	<u>\$ 279,969</u>	<u>\$ 580,859</u>	<u>\$5,920,725</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$2,518,316	\$ -	\$ 114,704	\$2,633,020
Special instruction	664,163	-	-	664,163
Other instruction	296,218	-	236,624	532,842
	<u>\$3,478,697</u>	<u>\$ -</u>	<u>\$ 351,328</u>	<u>\$3,830,025</u>
Support services:				
Student services	\$ 113,853	\$ -	\$ 832	\$ 114,685
Instructional staff services	179,872	-	1,226	181,098
Administration services	505,478	-	20,164	525,642
Operation and maintenance of plant services	411,935	-	21,530	433,465
Transportation services	252,222	-	67,491	319,713
	<u>\$1,463,360</u>	<u>\$ -</u>	<u>\$ 111,243</u>	<u>\$1,574,603</u>
Non-instructional programs	\$ 678	\$ -	\$ 1,166	\$ 1,844
Other expenditures:				
Facilities acquisition	\$ -	\$ -	\$ 116,718	\$ 116,718
Long-term debt:				
Principal	-	140,000	-	140,000
Interest and fiscal charges	-	210,835	-	210,835
AEA flowthrough	211,147	-	-	211,147
Total expenditures	<u>\$5,153,882</u>	<u>\$ 350,835</u>	<u>\$ 580,455</u>	<u>\$6,085,172</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (93,985)</u>	<u>\$ (70,866)</u>	<u>\$ 404</u>	<u>\$ (164,447)</u>

(Continued)

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources (uses):				
Sales of equipment	\$ 1,125	\$ -	\$ -	\$ 1,125
General obligation bonds issued	<u>-</u>	<u>2,390,000</u>	<u>-</u>	<u>2,390,000</u>
Total other financing sources (uses)	<u>\$ 1,125</u>	<u>\$2,390,000</u>	<u>\$ -</u>	<u>\$2,391,125</u>
Net change in fund balances	\$ (92,860)	\$2,319,134	\$ 404	\$2,226,678
Fund balances beginning of year, as restated (note 10)	<u>149,112</u>	<u>20,419</u>	<u>276,985</u>	<u>446,516</u>
Fund balances end of year	<u>\$ 56,252</u>	<u>\$2,339,553</u>	<u>\$ 277,389</u>	<u>\$2,673,194</u>

See Notes to Financial Statements.

ST. ANSGAR 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 \$2,226,678
 (page 24)

**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. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 74,942	
Depreciation expense	<u>(226,783)</u>	(151,841)

Certain delinquent property tax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. 195,368

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(2,390,000)	
Repaid	<u>140,000</u>	(2,250,000)

The Internal Service Fund is used by management to charge the costs of employee health expenses to individual funds. The change on the net assets of the Internal Service Fund is reported with governmental activities. (10,007)

Change in net assets of governmental activities (page 19) \$ 10,198

See Notes to Financial Statements.

	<u>Enterprise Funds</u>			<u>Internal</u>
	<u>School</u>	<u>FFA</u>	<u>Total</u>	<u>Service Fund</u>
	<u>Nutrition</u>	<u>Farm</u>		<u>Employee</u>
				<u>Health</u>
ASSETS:				
Cash and investments	\$ 14,722	\$ 4,225	\$ 18,947	\$ 64,172
Accounts receivable	-	-	-	155
Inventories	2,260	-	2,260	-
Capital assets, net of accumulated depreciation	10,396	-	10,396	-
Total assets	\$ 27,378	\$ 4,225	\$ 31,603	\$ 64,327
LIABILITIES:				
Accounts payable	\$ 60	\$ -	\$ 60	\$ -
Deferred revenue	4,116	-	4,116	-
Total liabilities	\$ 4,176	\$ -	\$ 4,176	\$ -
NET ASSETS:				
Invested in capital assets, net of related debt	\$ 10,396	\$ -	\$ 10,396	\$ -
Unrestricted	12,806	4,225	17,031	64,327
Total net assets	\$ 23,202	\$ 4,225	\$ 27,427	\$ 64,327

See Notes to Financial Statements.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2004

	<u>Enterprise Funds</u>			<u>Internal</u>
	<u>School</u>	<u>FFA</u>	<u>Total</u>	<u>Service Fund</u>
	<u>Nutrition</u>	<u>Farm</u>		<u>Employee</u>
				<u>Health</u>
Operating revenue:				
Local sources	\$ 166,454	\$ 1,656	\$ 168,110	\$ 685
Operating expenses:				
Non-instructional programs:				
Salaries and benefits	\$ 146,784	\$ -	\$ 146,784	\$ -
Purchased services	3,421	2,140	5,561	10,692
Supplies	139,683	133	139,816	-
Depreciation	1,361	-	1,361	-
Other	805	-	805	-
Total operating expenses	<u>\$ 292,054</u>	<u>\$ 2,273</u>	<u>\$ 294,327</u>	<u>\$ 10,692</u>
Operating loss	\$(125,600)	\$ (617)	\$(126,217)	\$ (10,007)
Non-operating revenues:				
Local sources	\$ 157	\$ -	\$ 157	\$ -
State sources	4,605	-	4,605	-
Federal sources	102,735	-	102,735	-
Total non-operating revenues	<u>\$ 107,497</u>	<u>\$ -</u>	<u>\$ 107,497</u>	<u>\$ -</u>
Change in net assets	\$ (18,103)	\$ (617)	\$ (18,702)	\$ (10,007)
Net assets beginning of year	<u>41,305</u>	<u>4,842</u>	<u>46,174</u>	<u>74,334</u>
Net assets end of year	<u>\$ 23,202</u>	<u>\$ 4,225</u>	<u>\$ 27,454</u>	<u>\$ 64,327</u>

See Notes to Financial Statements.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2004

	<u>Enterprise School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 167,410
Cash paid to employees for services	(146,784)
Cash paid to suppliers for goods or services	(127,615)
Cash received from grain sales	-
Cash reimbursed from operating funds	-
Cash payments for medical expenses	-
Net cash used by operating activities	<u>\$(106,989)</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 4,605
Federal grants received	89,726
Net cash provided by non-capital financing activities	<u>\$ 94,331</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ (2,166)</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 157</u>
Net decrease in cash and cash equivalents	\$ (14,667)
Cash and cash equivalents beginning of year	<u>29,389</u>
Cash and cash equivalents end of year	<u>\$ 14,722</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$(125,600)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	16,051
Depreciation	1,361
Decrease in inventories	400
Decrease in accounts receivable	656
(Decrease) in accounts payable	(157)
Increase in deferred revenue	<u>300</u>
Net cash used by operating activities	<u>\$(106,989)</u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2004, the District received \$13,009 of federal commodities.	

See Notes to Financial Statements.

<u>Funds</u>		<u>Internal Service Fund</u>
<u>FFA Farm</u>	<u>Total</u>	<u>Employee Health</u>
\$ -	\$ 167,410	\$ -
-	(146,784)	-
(2,441)	(130,056)	-
1,656	1,656	-
-	-	530
-	-	(10,917)
<u>\$ (785)</u>	<u>\$ (107,774)</u>	<u>\$ (10,387)</u>
\$ -	\$ 4,605	\$ -
-	89,726	-
<u>\$ -</u>	<u>\$ 94,331</u>	<u>\$ -</u>
\$ -	\$ (2,166)	\$ -
\$ -	\$ 157	\$ -
\$ (785)	\$ (15,452)	\$ (10,387)
5,010	34,399	74,559
<u>\$ 4,225</u>	<u>\$ 18,947</u>	<u>\$ 64,172</u>
\$ (617)	\$ (126,217)	\$ (10,007)
-	16,051	-
-	1,361	-
-	400	-
-	656	(155)
(168)	(325)	(225)
<u>-</u>	<u>300</u>	<u>-</u>
<u>\$ (785)</u>	<u>\$ (107,774)</u>	<u>\$ (10,387)</u>

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and investments	\$ 155,241
Accrued interest receivable	8
Total assets	<u>\$ 155,249</u>
Liabilities	
Accounts payable	\$ <u>500</u>
Net assets	
Reserved for scholarships	<u>\$ 154,749</u>

See Notes to Financial Statements.

- 30 -

EXHIBIT K

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year ended June 30, 2004

Private Purpose
Trust
Scholarship

Additions:	
Local sources:	
Gifts and contributions	\$ 102
Interest income	2,991
Other	31
Total additions	<u>\$ 3,124</u>
Deductions:	
Support services:	
Scholarships awarded	<u>5,300</u>
Change in net assets	\$ (2,176)
Net assets beginning of year	<u>156,925</u>
Net assets end of year	<u><u>\$ 154,749</u></u>

See Notes to Financial Statements.

- 31 -

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2004

(1) Summary of Significant Accounting Policies

The St. Ansgar Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of St. Ansgar, Carpenter, Stacyville and Grafton, Iowa and the predominate agricultural territory in Worth and Mitchell 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, the St. Ansgar 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 St. Ansgar Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but 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 Mitchell and Worth 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.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2004

(1) Summary of Significant Accounting Policies - continued

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 attributable 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 imposed by management which 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 instructional, support and other costs.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2004

(1) Summary of Significant Accounting Policies - continued

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary fund:

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 the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies - continued

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

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

Under 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 non-operating 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 non-operating 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.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2004

(1) Summary of Significant Accounting Policies - continued

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 become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

(1) Summary of Significant Accounting Policies - continued

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	500
Improvements other than buildings	500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

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 represents 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 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 for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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.

**ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2004**

(1) Summary of Significant Accounting Policies - continued

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30,

2004, disbursements in the instruction and support services functional areas exceeded the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

(2) **Cash and 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 carrying amount and market value of the District's investments at June 30, 2004 are as follows:

<u>Type</u>	<u>Category</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Common Stock	1	\$ 14,971	\$ 19,181

(3) **Iowa School cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

(3) Iowa School cash Anticipation Program (ISCAP) - continued

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2003-04A	6/20/03	6/18/04	\$ 595,172	\$ -	\$ 608,000	\$ -

The district pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2003-04A	\$ -	\$575,000	\$575,000	\$ -

The Warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2003-04A	2.000%	2.6030%

(4) Capital Assets

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

	<u>Balance Beginning of Year, as restated (note 10)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 65,900	\$ -	\$ -	\$ 65,900
Capital assets being depreciated:				
Buildings and improvements	\$ 4,915,867	\$ -	\$ -	\$ 4,915,867
Furniture and equipment	3,095,633	74,942	-	3,170,575
Total capital assets being Depreciated	\$ 8,011,500	\$ 74,942	\$ -	\$ 8,086,442

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2004

(4) Capital Assets - continued

	<u>Balance Beginning Of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,698,254	\$ 94,917	\$ -	\$ 1,793,171
Furniture and equipment	2,764,523	131,866	-	2,896,389
Total accumulated depreciation	\$ 4,462,777	\$ 226,783	\$ -	\$ 4,689,560

Total capital assets being

depreciated, net	\$ 3,548,723	\$ (151,841)	\$ -	\$ 3,396,882
Governmental activities capital assets, net	<u>\$ 3,614,623</u>	<u>\$ (151,841)</u>	<u>\$ -</u>	<u>\$ 3,462,782</u>
Business type activities:				
Furniture and equipment	\$ 81,438	\$ 2,166	\$ -	\$ 83,604
Less accumulated depreciation	<u>71,847</u>	<u>1,361</u>	<u>-</u>	<u>73,208</u>
Business type activities capital assets, net	<u>\$ 9,591</u>	<u>\$ 805</u>	<u>\$ -</u>	<u>\$ 10,396</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Unallocated	<u>\$ 226,783</u>
Business type activities:	
Food service operations	<u>\$ 1,361</u>

(5) Long-Term Liabilities

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

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
General obligation bonds	<u>\$2,575,000</u>	<u>\$2,390,000</u>	<u>\$ 140,000</u>	<u>\$4,825,000</u>	<u>\$ 145,000</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 employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay. Early retirement benefits paid during the year ended June 30, 2004 totaled \$16,340.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2004

(5) Long-Term Liabilities - Continued

General Obligation Bonds Payable

Year Ending June 30,	Bond Issue of October 1, 2000			Bond Issue of March 24, 2004		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2005	7.125%	\$ 145,000	\$ 131,702	1.35%	\$ -	\$ 63,710
2006	7.125	155,000	121,370	1.70	205,000	63,710
2007	5.125	165,000	110,326	2.05	210,000	60,943
2008	5.125	175,000	101,870	2.35	215,000	57,373
2009	5.125	185,000	92,902	2.55	220,000	52,965
2010-2014	5.125-5.20	1,085,000	311,286	2.80-3.35	1,200,000	174,430
2015-2016	5.20	525,000	41,340	3.50-3.60	340,000	15,600
		<u>\$2,435,000</u>	<u>\$ 910,796</u>		<u>\$ 488,731</u>	

Year Ending June 30,	TOTAL		
	Principal	Interest	Total
2005	\$ 145,000	\$ 195,412	\$ 340,412
2006	360,000	185,080	545,080
2007	375,000	171,269	546,269
2008	390,000	159,243	549,243
2009	405,000	145,867	550,867
2010-2014	2,285,000	485,716	2,770,716
2015-2016	865,000	56,940	921,940
	<u>\$4,825,000</u>	<u>\$1,399,527</u>	<u>\$6,224,527</u>

(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, IA, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$185,344, \$181,435, and \$184,267 respectively, equal to the required contributions for each year.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2004

(7) **Risk Management**

St. Ansgar 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 \$211,147 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) **Related Party Transactions**

The District had business transactions between the District and District officials or employees, totaling \$7,255 during the year ended June 30, 2004.

(10) **Accounting Change and Restatements**

Governmental Accounting Standards Board 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 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.

(10) Accounting Change and Restatements - Continued

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			
	General	Debt Service	Nonmajor Governmental Funds	Total
Net assets June 30, 2004, as previously Reported	<u>\$ 149,112</u>	<u>\$ 20,419</u>	<u>\$ 351,319</u>	\$ 520,850
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of \$4,462,777				3,614,623
Long-term liabilities:				
Bonds and notes				<u>(2,575,000)</u>
Net assets July 1, 2003, as restated				<u>\$1,560,473</u>

	<u>Fund Actual</u>	<u>Fund Actual</u>
RECEIPTS:		
Local sources	\$3,368,985	\$ 168,923
State sources	2,442,126	4,605
Federal sources	142,765	89,726
Total receipts	<u>\$5,953,876</u>	<u>\$ 263,254</u>
DISBURSEMENTS:		
Instruction	\$3,765,023	\$ -
Support services	1,581,208	-
Non-instructional programs	1,844	278,706
Other expenditures	703,369	-
Total disbursements	<u>\$6,051,444</u>	<u>\$ 278,706</u>
Deficiency of receipts under disbursements	\$ (97,568)	\$ (15,452)
Other financing sources	<u>2,390,000</u>	<u>-</u>
Excess (Deficiency) of receipts and other financing sources over (under) disbursements	\$2,292,432	\$ (15,452)
Balance beginning of year	<u>972,612</u>	<u>34,399</u>
Balance end of year	<u>\$3,265,044</u>	<u>\$ 18,947</u>

See Accompanying Independent Auditor's Report.

- 45 -

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
\$3,537,908	\$3,635,221	\$3,635,221	\$ (97,313)
2,446,731	2,547,539	2,547,539	(100,808)
232,491	177,000	177,000	55,491
<u>\$6,217,130</u>	<u>\$6,359,760</u>	<u>\$6,359,760</u>	<u>\$ (142,630)</u>

\$3,765,023	\$3,951,200	\$4,001,200	\$ 236,177
1,581,208	1,921,750	1,921,750	340,542
280,550	348,000	348,000	67,450
703,369	714,261	814,261	110,892
<u>\$6,330,150</u>	<u>\$6,935,211</u>	<u>\$7,085,211</u>	<u>\$ 755,061</u>
\$ (113,020)	\$ (575,451)	\$ (725,451)	\$ (612,431)
<u>2,390,000</u>	<u>-</u>	<u>-</u>	<u>(2,390,000)</u>
\$2,276,980	\$ (575,451)	\$ (725,451)	\$ 3,002,431
<u>1,255,862</u>	<u>842,589</u>	<u>842,589</u>	<u>(413,273)</u>
<u>\$3,532,842</u>	<u>\$ 267,138</u>	<u>\$ 117,138</u>	<u>\$(3,415,704)</u>

- 46 -

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2004

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjust- ments</u>	<u>Modified Accrual Basis</u>
Revenues	\$5,952,751	\$ (32,026)	\$5,920,725
Expenditures	<u>6,051,444</u>	<u>33,728</u>	<u>6,085,172</u>
Net	\$ (98,693)	\$ (65,754)	\$ (164,447)
Other financing sources, net	2,391,125	-	2,391,125
Beginning fund balances	<u>972,612</u>	<u>(526,096)</u>	<u>446,516</u>
Ending fund balances	<u>\$3,265,044</u>	<u>\$(591,850)</u>	<u>\$2,673,194</u>

	<u>Proprietary Fund</u>		
	<u>Enterprise</u>		
	<u>Cash Basis</u>	<u>Accrual Adjust- ments</u>	<u>Accrual Basis</u>
Revenues	\$ 263,254	\$ 12,353	\$ 275,607

Expenses	<u>278,706</u>	<u>15,621</u>	<u>294,327</u>
	\$ (15,452)	\$ (3,268)	\$ (18,720)
Beginning net assets	<u>34,399</u>	<u>11,775</u>	<u>46,174</u>
Ending net assets	<u>\$ 18,947</u>	<u>\$ 8,507</u>	<u>\$ 27,454</u>

See Accompanying Independent Auditor's Report.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information - Budgetary Reporting
Year ended June 30, 2004

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as 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 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 \$150,000.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2004

	<u>Management</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS:					
Cash and investments	\$ 14,433	\$ 59,978	\$ 79,242	\$153,632	\$307,285
Receivables:					
Property tax:					
Delinquent	1,232	-	1,210	-	2,442
Succeeding year	119,200	-	107,604	-	226,804
Accounts	<u>-</u>	<u>485</u>	<u>-</u>	<u>14,386</u>	<u>14,871</u>
Total assets	<u>\$ 134,865</u>	<u>\$ 60,463</u>	<u>\$188,056</u>	<u>\$168,018</u>	<u>\$551,402</u>
 LIABILITIES AND FUND EQUITY:					
Liabilities:					
Accounts payable	\$ 39,773	\$ 1,595	\$ 5,841	\$ -	\$ 47,209
Deferred revenue:					
Succeeding year					
property tax	119,200	-	107,604	-	226,804
Total liabilities	<u>\$ 158,973</u>	<u>\$ 1,595</u>	<u>\$113,445</u>	<u>\$ -</u>	<u>\$274,013</u>
Fund equity:					
Unreserved, undesignated					
fund balance	<u>(24,108)</u>	<u>58,868</u>	<u>74,611</u>	<u>168,018</u>	<u>277,389</u>
Total liabilities and fund equity	<u>\$ 134,865</u>	<u>\$ 60,463</u>	<u>\$188,056</u>	<u>\$168,018</u>	<u>\$551,402</u>

See Accompanying Independent Auditor's Report.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2004

	<u>Management</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES:					
Local sources:					
Local tax	\$ 86,237	\$ -	\$ 84,671	\$165,987	\$336,895
Other	1,318	224,768	16,597	1,111	243,794
State sources	86	-	84	-	170
Total revenues	<u>\$ 87,641</u>	<u>\$224,768</u>	<u>\$ 101,352</u>	<u>\$167,098</u>	<u>\$580,859</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	\$ 59,169	\$ -	\$ 55,535	\$ -	\$114,704
Other instruction	-	236,624	-	-	236,624
Support services:					
Student services	832	-	-	-	832
Instruction staff services	1,226	-	-	-	1,226
Administration services	20,164	-	-	-	20,164
Operation and maintenance of plant services	21,530	-	-	-	21,530
Transportation services	13,356	-	54,135	-	67,491
Non-instruction programs	1,166	-	-	-	1,166
Other expenditures:					
Facilities acquisition	-	-	116,718	-	116,718
Total expenditures	<u>\$117,443</u>	<u>\$236,624</u>	<u>\$ 226,388</u>	<u>\$ -</u>	<u>\$580,455</u>
Excess (deficiency) of revenues over (under) expenditures	\$(29,802)	\$(11,856)	\$(125,036)	\$167,098	\$ 404
Balance beginning of year	<u>5,694</u>	<u>70,724</u>	<u>199,647</u>	<u>920</u>	<u>276,985</u>
Balance end of year	<u>\$(24,108)</u>	<u>\$ 58,868</u>	<u>\$ 74,611</u>	<u>\$168,018</u>	<u>\$277,389</u>

See Accompanying Independent Auditor's Report.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Individual Student Activity Accounts
Year ended June 30, 2004

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>
Drama	\$ 3,849	\$ 14,027	\$ 12,075
Speech	943	750	1,183
Vocal Music	2,357	953	3,750
Choir Robes	5,332	2,953	10,606
Choir Trip	32	2,979	2,398
Instrument Rent	814	430	130
High School Band	1,437	606	2,834
Middle School Band	202	-	199
Band Uniforms	1,100	1,045	722
Music Concessions	631	7,760	4,116
Athletics - General	8,239	70,374	72,755
Middle School Sports	1,942	8,135	10,499
Middle School Student Council	358	8,821	8,638
Student Council	1	3,995	3,787
Elementary Student Council	1,209	7,301	7,408
Annual	4,597	18,418	20,637
Art Club	2,035	-	-
Cheerleaders	3,088	9,243	7,490
German Club	5,705	4,456	4,877
Industrial Arts Club	34	1,521	182
Revolving Shop - Middle School	182	-	-
Class of 2006	480	-	-
Class of 2005	2,176	22,099	19,630
Class of 2004	5,171	(1,000)	2,972
Class of 2007	312	-	42
FFCLA	372	3,690	3,779
Spanish Club	2,049	4,315	2,794
FFA	3,097	23,989	22,022
Student Pictures	6,645	1,466	2,318
Teachers' Fund	16	2,540	1,976
Towel Rental	440	2,894	3,603
Insurance	-	204	204
Petty Cash	100	-	-
Community Education	5,570	449	2,673
Odyssey (Elementary)	209	355	325
Total	<u>\$ 70,724</u>	<u>\$224,768</u>	<u>\$236,624</u>

See Accompanying Independent Auditor's Report.

<u>Intrafund</u> <u>Transfer</u>	<u>Balance</u> <u>End of Year</u>
\$ -	\$ 5,801
-	510
1,887	1,447
5,500	3,179
-	613
-	1,114
1,887	1,096
-	3
-	1,423
(3,775)	500
(310)	5,548
763	341
(28)	513
(38)	171
1	1,103
-	2,378
-	2,035
(575)	4,266
-	5,284
(100)	1,273
100	282
-	480
327	4,972
-	1,199
(311)	(41)
-	283
-	3,570
-	5,064
(3,488)	2,305
-	580
300	31
-	-
-	100
(2,140)	1,206
-	239
<u>\$ -</u>	<u>\$ 58,868</u>

ST. ANSGAR 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	\$2,939,844	\$2,868,203	\$2,558,612	\$2,336,379
Tuition	132,425	103,402	117,142	114,240
Other	295,047	311,367	253,793	331,220
State sources	2,410,644	2,523,696	2,752,933	2,709,091
Federal sources	142,765	153,485	130,810	81,262
Total	<u>\$5,920,725</u>	<u>\$5,960,153</u>	<u>\$5,813,290</u>	<u>\$5,572,192</u>
Expenditures:				
Instruction:				
Regular instruction	\$2,633,020	\$2,442,552	\$2,470,931	\$2,269,665
Special instruction	664,163	605,152	649,598	656,356
Other instruction	532,842	527,948	588,207	488,326
Support services:				
Student services	114,685	203,410	67,819	184,335
Instructional staff services	181,098	176,937	161,995	154,176
Administration services	525,642	490,497	517,523	486,642
Operation and maintenance of plant services	433,465	368,177	375,328	419,445
Transportation services	319,713	238,292	228,825	245,115
Central support services	-	-	-	61
Non-instructional programs	1,844	731	797	208,069
Other expenditures:				
Facilities acquisition	116,718	204,404	239,187	183,540
Long-term debt:				
Principal	140,000	130,000	125,000	168,264
Interest and other charges	210,835	151,239	160,145	225,827
AEA flowthrough	211,147	227,250	229,703	-
Total	<u>\$6,085,172</u>	<u>\$5,766,589</u>	<u>\$5,815,058</u>	<u>\$5,689,821</u>

See Accompanying Independent Auditor's Report.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

To the Board of Education of the
St. Ansgar Community School District:

I have audited the financial statements of the St. Ansgar Community School District as of and for the year ended June 30, 2004, and have issued my report thereon dated October 4, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the St. Ansgar Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance that are described in part IV 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 my audit of the financial statements of the District. Since my 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 IV-E-04.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the

design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II 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. My 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, I believe item II-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item II-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the St. Ansgar 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.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the St. Ansgar Community School District during the course of my audit.

Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

October 4, 2004

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Schedule of Findings
Year Ended June 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the cash receipts listing, bank deposits, posting of the cash receipts and disbursements and preparation of the bank reconciliation are all done by the same person.

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

Response - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-04 Student Activity Accounts - The district has an individual Student Activity Account with a deficit balance at June 30, 2004.

Recommendation - The District should determine a method to eliminate this deficit to restore this balance to a sound financial condition.

Response - We will consider a method to eliminate this deficit.

Conclusion - Response accepted.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 Schedule of Findings
 Year Ended June 30, 2004

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-04 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.

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

- IV-C-04 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

- IV-E-04 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>
Glenn Cimmiyotti, Board Member, spouse of Owner of Bawek's Shoe and Clothing Store	Extracurricular Clothing items	\$3,604
Glenn Cimmiyotti, Board Member, co-owner of Gordy's	Equipment repairs and parts	2,796
Roger Eberling, employee	Groundskeeping	350
Diann Tabbert, employee Owner of Country Cakes Etc.	Supplies	505

In accordance with an Attorney General's opinion dated November 9, 1976, these transactions may represent a conflict of interest.

Recommendation - The District should consult legal counsel to determine the disposition of this matter.

Response - We will consult our attorney.

Conclusion - Response accepted.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Schedule of Findings
Year Ended June 30, 2004

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

- IV-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-G-04 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-H-04 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-I-04 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and I noted no significant deficiencies in the amounts reported.
- IV-K-04 Financial Condition - The Management Fund had a deficit balance at June 30, 2004 of \$24,108
- Recommendation - The District should investigate alternatives to eliminate this deficit in order to return this account to a sound financial position.
- Response - Future property tax collections will be used to restore the balance to sound financial position.
- Conclusion - Response accepted.
- IV-L-04 Financial Condition - As previously noted, one Student Activity Account had a deficit account at June 30, 2004.
- Recommendation - The District should evaluate the alternatives to eliminate the deficit and restore the account to a sound financial condition.
- Response - We are working on this.
- Conclusion - Response accepted.

St. Ansgar Enterprise
St. Ansgar, IA 50472

N E W S R E L E A S E

FOR RELEASE November 11, 2004

Larry Pump, CPA, Charles City, Iowa today released an audit report on the St. Ansgar Community School District for the year ended June 30, 2004.

The District has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statement. The new financial statements include a Statement of Net Assets and a Statement of Activities with provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Also included is Management's Discussion and Analysis of the District's financial statements.

The District's revenues totaled \$6,392,825 for the year ended June 30, 2004. Revenues included \$3,136,010 in local tax, charges for service of \$539,353 operating grants, contributions and restricted interest of \$668,767, unrestricted interest of \$13,186 and other general revenues of \$2,035,509.

Expenses for District operations totaled \$6,401,347. Expenses included \$2,643,027 for regular instruction, \$664,163 for special instruction and \$532,842 for other instruction.

A copy of the audit report is available for review in the Office of Auditor of State and the District Secretary's office.

X X X X X X X X X

Monitor Review
Stacyville, IA 50476

N E W S R E L E A S E

FOR RELEASE November 11, 2004

Larry Pump, CPA, Charles City, Iowa today released an audit report on the St. Ansgar Community School District for the year ended June 30, 2004.

The District has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statement. The new financial statements include a Statement of Net Assets and a Statement of Activities with provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Also included is Management's Discussion and Analysis of the District's financial statements.

The District's revenues totaled \$6,392,825 for the year ended June 30, 2004. Revenues included \$3,136,010 in local tax, charges for service of \$539,353 operating grants, contributions and restricted interest of \$668,767, unrestricted interest of \$13,186 and other general revenues of \$2,035,509.

Expenses for District operations totaled \$6,401,347. Expenses included \$2,643,027 for regular instruction, \$664,163 for special instruction and \$532,842 for other instruction.

A copy of the audit report is available for review in the Office of Auditor of State and the District Secretary's office.

X X X X X X X X X

November 11, 2004

Office of Auditor of State
State of Iowa
State Capitol Building
Des Moines, IA 50319

RE: Audit of the St. Ansgar Community School District for the year ended June
30, 2004

Gentlemen:

I have enclosed a copy of the news release, a copy of my bill to the District and two copies of the Audit Report. I will appreciate your comments and suggestions.

Sincerely yours,

Larry Pump, CPA

jlp
Enclosures

November 4, 2004

Lisa Groth, District Secretary
St. Ansgar Community School District
St. Ansgar, IA 50472

Dear Lisa:

Enclosed are your fourteen copies of my audit report for the year ended June 30, 2004. I will see you at the November 10th Board meeting.

Please call if you have any questions.

Sincerely,

Larry Pump, CPA

jlp
enclosures

November 11, 2004

Iowa Department of Education
Budgeting and Finance Team
Grimes State Office Building
400 East 14th Street
Des Moines, IA 50319-0146

Gentlemen:

I have enclosed a copy of the Audit Report of the St. Ansgar Community School District for the year ended June 30, 2004, as required by your office. I will appreciate your comments and suggestions.

Sincerely yours,

Larry Pump, CPA

jlp
enclosures

This page intentionally left blank.