

AGWSR COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

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## Independent Auditor's Report

To the Board of Education of  
AGWSR Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of AGWSR Community School District, Ackley, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of AGWSR Community School District as of June 30, 2005, 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.

In accordance with Government Auditing Standards, we have also issued our report dated September 7, 2005, on our consideration of AGWSR Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise AGWSR Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

September 7, 2005

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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AGWSR Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2005 Financial Highlights

- General Fund revenues increased from \$6,674,915 in fiscal 2004 to \$7,064,174 in fiscal 2005, while General Fund expenditures increased from \$6,775,568 in fiscal 2004 to \$7,175,696 in fiscal 2005. The District's General Fund balance decreased from \$807,968 in fiscal 2004 to \$588,984 in fiscal 2005, a 27% decrease.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2005. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of AGWSR Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report AGWSR Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which AGWSR Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

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

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

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

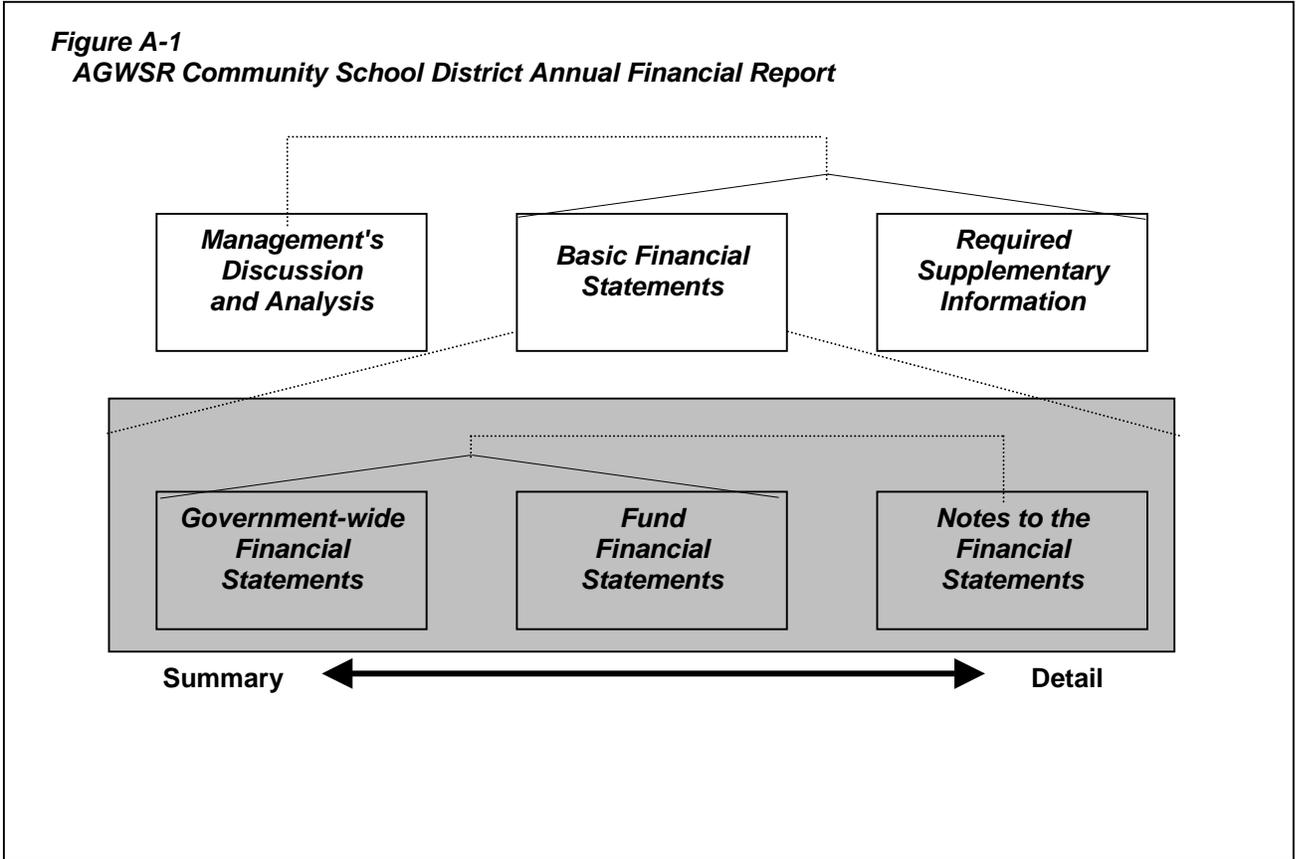


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or financial position. Over time, increases or decreases in the

District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2004-2005 %
	Governmental Activities		Business-type Activities		Total School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,456,252	6,437,177	(1,742)	(35,322)	5,454,510	6,401,855	-14.8
Capital assets	3,283,779	2,320,141	159,119	35,014	3,442,898	2,355,155	46.2
<b>Total assets</b>	<b>8,740,031</b>	<b>8,757,318</b>	<b>157,377</b>	<b>(308)</b>	<b>8,897,408</b>	<b>8,757,010</b>	<b>1.7</b>
Long-term liabilities	1,105,325	1,269,864			1,105,325	1,269,864	-12.8
Other liabilities	3,674,659	3,689,185	3,385	3,886	3,678,044	3,693,071	-0.4
<b>Total liabilities</b>	<b>4,779,984</b>	<b>4,959,049</b>	<b>3,385</b>	<b>3,886</b>	<b>4,783,369</b>	<b>4,962,935</b>	<b>-3.6</b>
Net Assets:							
Invested in capital assets, net of related debt	2,217,112	1,882,020	159,119	35,014	2,376,231	1,917,034	24
Restricted	805,346	734,426			805,346	734,426	9.7
Unrestricted	937,589	1,181,823	(5,127)	(39,208)	932,462	1,142,615	-18.4
<b>TOTAL NET ASSETS</b>	<b>3,960,047</b>	<b>3,798,269</b>	<b>153,992</b>	<b>(4,194)</b>	<b>4,114,039</b>	<b>3,794,075</b>	<b>8.4</b>

The District's combined net assets increased by 8.4%, or \$319.964 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 \$71,000 or nearly 10% over the prior year. The increase was primarily a result of fiscal year 2005 sales tax revenues that will be spent for capital improvements and equipment in a future year.

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 \$210,000, or 18.4%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2004.

Figure A-4

	Change in Net Assets						Percentage Change 2004-2005 %
	Governmental Activities		Business-type Activities		Total School District		
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	
Revenues							
Program Revenues:							
Charges for services	671,862	537,124	353,658	306,806	1,025,520	843,930	21.5
Operating grants & contributions	764,566	781,825	143,511	148,183	908,077	930,008	-2.4
Capital grants & contributions	-	52,120			-	52,120	-100.0
General Revenues:							
Property taxes	3,368,907	3,107,383			3,368,907	3,107,383	8.4
Income Surtax	347,571	375,582			347,571	375,582	-7.5
Local option sales tax	395,468	17,139			395,468	17,139	2207.0
Unrestricted state grants	2,642,289	2,638,580			2,642,289	2,638,580	.1
Unrestricted investment earnings	28,577	40,643	797	1,054	29,374	41,697	-29.6
Other revenue	22,513	23,599			22,513	23,599	-4.6
<b>Total Revenues</b>	<b>8,241,753</b>	<b>7,573,995</b>	<b>497,966</b>	<b>456,043</b>	<b>8,739,719</b>	<b>8,030,038</b>	<b>8.8</b>
Expenses:							
Instruction	5,359,719	5,183,018			5,359,719	5,183,018	3.4
Support services	2,032,223	1,777,791			2,032,223	1,777,791	14.3
Non-instructional programs	21,978	14,087	598,743	565,453	620,721	579,540	7.1
Other expenditures	407,092	423,767			407,092	423,767	-3.9
<b>Total expenses</b>	<b>7,821,012</b>	<b>7,398,663</b>	<b>598,743</b>	<b>565,453</b>	<b>8,419,755</b>	<b>7,964,116</b>	<b>5.7</b>
<b>Change in net assets before transfers</b>	<b>420,741</b>	<b>175,332</b>	<b>(100,777)</b>	<b>(109,410)</b>	<b>319,964</b>	<b>65,922</b>	<b>385.0</b>
Transfers	(258,963)	(44,264)	258,963	44,264			
<b>CHANGE IN NET ASSETS</b>	<b>161,778</b>	<b>131,068</b>	<b>158,186</b>	<b>(65,146)</b>	<b>319,964</b>	<b>65,922</b>	<b>385.0</b>
Net assets beginning of year	3,798,269	3,667,201	(4,194)	60,952	3,794,075	3,728,153	1.8
Net assets end of year	3,960,047	3,798,269	153,992	(4,194)	4,114,039	3,794,075	8.4

Property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$8,241,753 and expenses were \$7,821,012. The largest increase was in sales tax revenues. Fiscal year 2004 included six months of sales tax revenues from one county while fiscal year 2005 included a full year of sales tax revenues from four counties.

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

Figure A-5

**Total and Net Cost of Governmental Activities**

	<b>Total Cost of Services 2005</b>	<b>Total Cost of Services 2004</b>	<b>Net Cost of Services 2005</b>	<b>Net Cost of Services 2004</b>
	\$	\$	\$	\$
Instruction	5,359,719	5,183,018	4,290,790	4,133,411
Support Services	2,032,223	1,777,791	1,909,129	1,759,291
Non-instructional Programs	21,978	14,087	21,978	14,087
Other Expenses	407,092	423,767	162,687	120,805
<b>TOTAL</b>	<b><u>7,821,012</u></b>	<b><u>7,398,663</u></b>	<b><u>6,384,584</u></b>	<b><u>6,027,594</u></b>

- The cost financed by users of the District’s programs was \$671,862, up from \$537,124 the previous year of 2004. These revenues primarily consist of tuition charged for open enrollment and special education, and revenues from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$764,566.
- The net cost of governmental activities was financed with \$4,111,946 in property and other taxes, up from \$3,500,104 the previous year and \$2,642,289 in unrestricted state grants, slightly up from 2,638,580 in 2004.

**Business Type Activities**

Revenues for business type activities were \$497,966 in 2005, compared to \$456,043 in 2004 and expenses were \$598,743 in 2005, compared to \$565,453 in 2004, resulting in a loss of \$100,777 in 2005, compared to \$109,410 in 2004. The District’s business type activities include the School Nutrition Fund and the Daycare. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income, and donations.

The District Daycare programs continued to require careful monitoring and during the past year it became evident that expenditures became more consistent with revenue. Continued effort is still needed and further progress is anticipated.

During the year ended June 30, 2005, the District decreased kitchen staff hours in order to further control costs.

**INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of

\$1,428,353, well below last year's ending fund balances of \$2,362,900. The primary reason for the decrease in combined fund balances in fiscal 2005 is due to expenditures approximately \$827,000 greater than revenue during the fiscal year. The District is well aware of the pattern and has established a three-year plan to respond to the matter.

### **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 \$807,968 to \$588,984, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$793,053 in fiscal 2004 to \$482,259 in fiscal 2005. While revenues increased, the District spending significantly increased from the PPEL Fund because of building projects.
- The Capital Projects Fund balance decreased during fiscal 2005. The District ended fiscal 2004 with a balance of \$761,879, fiscal 2005 ended with a balance of \$357,110.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$49,098 on June 30, 2004 to \$165,878 on June 30, 2005, representing an increase of approximately 238%. For fiscal 2005, the District increased meal prices and decreased kitchen staff hours. Nutrition Fund net assets increased due to \$116,780 of new equipment for the Nutrition program that was purchased with Capital Project Fund monies.

Daycare Fund charges for services increased from \$173,508 in 2004 to \$215,288 in 2005, while operating expenses increased from 283,741 in 2004 to 309,379 in 2005. The District operates centers in Wellsburg and in Ackley, Services provided include before and after school programs and pre-kindergarten during the school year and year round daycare services.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, AGWSR Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with the elementary building capital project activity.

The District's receipts were \$42,272 more than budgeted receipts, a variance of .5%.

Total expenditures were \$698,064 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area because of higher than anticipated end-of-the-year disbursements.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, the District had invested \$3.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 46.2% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$219,595.

The original cost of the District's capital assets was \$8.3 million.

The largest change in capital asset activity during the year occurred in the construction in progress category. There was no construction in progress during fiscal year 2005, compared to \$488,898 in fiscal year 2004. This difference resulted from the completion of construction activity financed by voter approved capital loan notes for the construction of the new nutrition centers.

**Figure A-6**

**Capital Assets (net of depreciation)**

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2005	2004	2005	2004	2005	2004	2004-2005
	\$	\$	\$	\$	\$	\$	%
Land	52,000	52,000			52,000	52,000	0
Construction in progress	0	488,898			0	488,898	-100.0
Buildings	2,665,043	1,213,119			2,665,043	1,213,119	119.7
Improvements	195,774	224,095			195,774	224,095	-12.6
Equipment & Furniture	370,962	342,029	159,119	35,014	530,081	377,043	40.6
<b>TOTAL</b>	<b>3,283,779</b>	<b>2,320,141</b>	<b>159,119</b>	<b>35,014</b>	<b>3,442,898</b>	<b>2,355,155</b>	<b>46.2</b>

### Long-Term Debt

At June 30, 2005, the District had \$1,105,325 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 13% from last year. (See Figure A-7)

The District also had total outstanding Retirement Funds payable from the Management Fund of \$38,658 at June 30, 2005.

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

	Total School District		Percentage Change
	2005	2004	2004-2005
	\$	\$	%
Capital Loan Notes	1,066,667	1,200,000	-11.1
Early Retirement	38,658	69,864	-44.7

1,105,325	1,269,864	-13.0
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**ECONOMIC FACTORS BEARING ON THE DISTRICT’S FUTURE**

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

- Due to the interplay of various economic factors, the school district enrollment continues to decline, with a decrease of 32.5 during the year. This trend has a very significant and negative impact on the district’s revenue.
- The district passed School Infrastructure Local Option Tax in 2004 continues to help school infrastructure needs.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

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

## BASIC FINANCIAL STATEMENTS

## AGWSR COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2005

	Governmental Activities \$	Business Type Activities \$	Total \$
<b>Assets</b>			
Cash and cash equivalents	1,331,747	3,914	1,335,661
Receivables:			
Property tax:			
Delinquent	66,964	-	66,964
Succeeding year	3,502,850	-	3,502,850
Accounts	-	8,341	8,341
Accrued interest	4,595	-	4,595
Due from other governments	530,441	-	530,441
Interfund receivable/payable	19,655	(19,655)	-
Inventories	-	5,658	5,658
Capital assets, net of accumulated depreciation	3,283,779	159,119	3,442,898
<b>Total assets</b>	<b>8,740,031</b>	<b>157,377</b>	<b>8,897,408</b>
<b>Liabilities</b>			
Accounts payable	165,942	449	166,391
Accrued interest payable	5,867	-	5,867
Deferred revenue:			
Succeeding year property tax	3,502,850	-	3,502,850
Other	-	2,936	2,936
Long-term liabilities:			
Portion due within one year:			
Capital loan notes payable	133,333	-	133,333
Early retirement	10,667	-	10,667
Portion due after one year:			
Capital loan notes payable	933,334	-	933,334
Early retirement	27,991	-	27,991
<b>Total liabilities</b>	<b>4,779,984</b>	<b>3,385</b>	<b>4,783,369</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,217,112	159,119	2,376,231
Restricted for:			
Gifted and talented program	2,994	-	2,994
Iowa early intervention block grant	1,641	-	1,641
Management levy	209,392	-	209,392
Physical plant and equipment levy	161,122	-	161,122
Other special revenue purposes	73,087	-	73,087
Local option sales tax capital projects	357,110	-	357,110
Unrestricted	937,589	(5,127)	932,462
<b>Total net assets</b>	<b>3,960,047</b>	<b>153,992</b>	<b>4,114,039</b>

See notes to financial statements.

## AGWSR COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental activities:</b>				
Instruction:				
Regular instruction	3,337,593	268,943	310,587	-
Special instruction	985,460	10,660	41,342	-
Other instruction	1,036,666	298,754	138,643	-
	<u>5,359,719</u>	<u>578,357</u>	<u>490,572</u>	<u>-</u>
Support services:				
Student services	141,031	-	23,528	-
Instructional staff services	188,259	-	-	-
Administration services	731,484	78,840	-	-
Operation and maintenance of plant services	531,770	-	-	-
Transportation services	439,679	14,665	6,061	-
	<u>2,032,223</u>	<u>93,505</u>	<u>29,589</u>	<u>-</u>
Non-instructional programs	<u>21,978</u>	-	-	-
Other expenditures:				
Facilities acquisition	3,043	-	-	-
Long-term debt interest	37,547	-	-	-
AEA flowthrough	244,405	-	244,405	-
Depreciation (unallocated)*	122,097	-	-	-
	<u>407,092</u>	<u>-</u>	<u>244,405</u>	<u>-</u>
Total governmental activities	<u>7,821,012</u>	<u>671,862</u>	<u>764,566</u>	<u>-</u>
<b>Business type activities:</b>				
Non-instructional programs:				
Food service operations	289,364	138,370	125,767	-
Daycare	309,379	215,288	17,744	-
Total business-type activities	<u>598,743</u>	<u>353,658</u>	<u>143,511</u>	<u>-</u>
Total	<u>8,419,755</u>	<u>1,025,520</u>	<u>908,077</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

**Change in net assets**

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

## AGWSR COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(2,758,063)	-	(2,758,063)
(933,458)	-	(933,458)
(599,269)	-	(599,269)
<u>(4,290,790)</u>	<u>-</u>	<u>(4,290,790)</u>
(117,503)	-	(117,503)
(188,259)	-	(188,259)
(652,644)	-	(652,644)
(531,770)	-	(531,770)
(418,953)	-	(418,953)
<u>(1,909,129)</u>	<u>-</u>	<u>(1,909,129)</u>
<u>(21,978)</u>	<u>-</u>	<u>(21,978)</u>
(3,043)	-	(3,043)
(37,547)	-	(37,547)
-	-	-
<u>(122,097)</u>	<u>-</u>	<u>(122,097)</u>
<u>(162,687)</u>	<u>-</u>	<u>(162,687)</u>
<u>(6,384,584)</u>	<u>-</u>	<u>(6,384,584)</u>
-	(25,227)	(25,227)
-	(76,347)	(76,347)
-	(101,574)	(101,574)
<u>(6,384,584)</u>	<u>(101,574)</u>	<u>(6,486,158)</u>
3,215,132	-	3,215,132
153,775	-	153,775
347,571	-	347,571
395,468	-	395,468
2,642,289	-	2,642,289
28,577	797	29,374
22,513	-	22,513
<u>6,805,325</u>	<u>797</u>	<u>6,806,122</u>
<u>(258,963)</u>	<u>258,963</u>	<u>-</u>
<u>6,546,362</u>	<u>259,760</u>	<u>6,806,122</u>
161,778	158,186	319,964
<u>3,798,269</u>	<u>(4,194)</u>	<u>3,794,075</u>
<u>3,960,047</u>	<u>153,992</u>	<u>4,114,039</u>

## AGWSR COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2005

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	597,159	254,264	480,324	1,331,747
Receivables:				
Property tax:				
Delinquent	60,933	-	6,031	66,964
Succeeding year	3,145,941	-	356,909	3,502,850
Accrued interest	3,576	255	764	4,595
Interfund receivable	19,655	-	-	19,655
Due from other governments	244,839	106,282	179,320	530,441
<b>Total assets</b>	<b>4,072,103</b>	<b>360,801</b>	<b>1,023,348</b>	<b>5,456,252</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	157,391	3,691	4,860	165,942
Deferred revenue:				
Succeeding year property tax	3,145,941	-	356,909	3,502,850
Other	179,787	-	179,320	359,107
Total liabilities	3,483,119	3,691	541,089	4,027,899
Fund balances:				
Reserved for:				
Gifted and talented program	2,994	-	-	2,994
Iowa early intervention block grant	1,641	-	-	1,641
Unreserved reported in:				
General Fund	584,349	-	-	584,349
Capital Projects Fund	-	357,110	-	357,110
Special Revenue Funds	-	-	482,259	482,259
Total fund balances	588,984	357,110	482,259	1,428,353
<b>Total liabilities and fund balances</b>	<b>4,072,103</b>	<b>360,801</b>	<b>1,023,348</b>	<b>5,456,252</b>

## AGWSR COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

\$

<b>Total fund balances of governmental funds (Exhibit C)</b>	1,428,353
<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.	3,283,779
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	359,107
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(5,867)
Long-term liabilities, including capital loan notes payable and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(1,105,325)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>3,960,047</u></u>

## AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,255,544	395,468	493,611	4,144,623
Tuition	215,062	-	-	215,062
Other	186,922	4,596	305,989	497,507
State sources	3,151,669	-	209	3,151,878
Federal sources	254,977	-	-	254,977
Total revenues	<u>7,064,174</u>	<u>400,064</u>	<u>799,809</u>	<u>8,264,047</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	3,317,688	-	31,489	3,349,177
Special instruction	985,460	-	-	985,460
Other instruction	719,420	-	310,099	1,029,519
	<u>5,022,568</u>	<u>-</u>	<u>341,588</u>	<u>5,364,156</u>
Support services:				
Student services	137,762	-	-	137,762
Instructional staff services	179,666	-	-	179,666
Administration services	713,148	-	8,722	721,870
Operation and maintenance of plant services	489,290	-	40,852	530,142
Transportation services	371,004	-	62,650	433,654
	<u>1,890,870</u>	<u>-</u>	<u>112,224</u>	<u>2,003,094</u>
Non-instructional programs	<u>17,853</u>	<u>-</u>	<u>4,125</u>	<u>21,978</u>
Other expenditures:				
Facilities acquisition	-	1,247,206	38,680	1,285,886
Long-term debt:				
Principal	-	-	133,333	133,333
Interest and fiscal charges	-	-	38,280	38,280
AEA flowthrough	244,405	-	-	244,405
	<u>244,405</u>	<u>1,247,206</u>	<u>210,293</u>	<u>1,701,904</u>
Total expenditures	<u>7,175,696</u>	<u>1,247,206</u>	<u>668,230</u>	<u>9,091,132</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(111,522)</u>	<u>(847,142)</u>	<u>131,579</u>	<u>(827,085)</u>
Other financing sources (uses):				
Sales of equipment and real property	10,291	-	-	10,291
Operating transfers in	-	442,373	171,613	613,986
Operating transfers out	<u>(117,753)</u>	<u>-</u>	<u>(613,986)</u>	<u>(731,739)</u>
Total other financing sources (uses)	<u>(107,462)</u>	<u>442,373</u>	<u>(442,373)</u>	<u>(107,462)</u>
Net change in fund balances	<u>(218,984)</u>	<u>(404,769)</u>	<u>(310,794)</u>	<u>(934,547)</u>
Fund balances beginning of year	<u>807,968</u>	<u>761,879</u>	<u>793,053</u>	<u>2,362,900</u>
Fund balances end of year	<u><u>588,984</u></u>	<u><u>357,110</u></u>	<u><u>482,259</u></u>	<u><u>1,428,353</u></u>

## AGWSR COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds to the  
Statement of Activities

Year ended June 30, 2005

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(934,547)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year as follows:		
Expenditures for capital assets	1,183,233	
Depreciation expense	<u>(219,595)</u>	963,638
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		(32,582)
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.		133,333
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		733
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows		
Early retirement		<u>31,203</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>161,778</u></u>

## AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2005

	Nonmajor Enterprise Funds
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	3,914
Accounts receivable	8,341
Inventories	5,658
Capital assets, net of accumulated depreciation	<u>159,119</u>
<b>Total assets</b>	<u>177,032</u>
<b>Liabilities</b>	
Accounts payable	449
Interfund payables	19,655
Deferred revenue	<u>2,936</u>
<b>Total liabilities</b>	<u>23,040</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	159,119
Unrestricted	<u>(5,127)</u>
<b>Total net assets</b>	<u><u>153,992</u></u>

## AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>353,658</u>
Operating expenses:	
Non-instructional programs:	
Salaries	316,057
Benefits	78,716
Purchased services	29,970
Supplies	156,895
Depreciation	<u>17,031</u>
	<u>598,669</u>
Operating gain (loss)	<u>(245,011)</u>
Non-operating revenue:	
State sources	3,913
Federal sources	130,415
Donations	9,183
Interest income	797
Loss on disposal of equipment	<u>(74)</u>
Total non-operating revenue	<u>144,234</u>
Gain (loss) before contributions and transfers	(100,777)
Capital contributions	141,210
Transfers in	<u>117,753</u>
	258,963
Change in net assets	158,186
Net assets beginning of year	<u>(4,194)</u>
Net assets end of year	<u><u>153,992</u></u>

## AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2005

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	138,457
Cash received from daycare services	216,466
Cash payments to employees for services	(394,773)
Cash payments to suppliers for goods or services	(166,860)
Net cash used by operating activities	<u>(206,710)</u>
Cash flows from non-capital financing activities:	
Loans from other funds	(42,016)
Transfers from other funds	117,753
Donations	9,183
State grants received	3,913
Federal grants received	107,939
Net cash provided by non-capital financing activities	<u>196,772</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>797</u>
Net increase (decrease) in cash and cash equivalents	(9,141)
Cash and cash equivalents at beginning of year	<u>13,055</u>
Cash and cash equivalents at end of year	<u><u>3,914</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(245,011)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	22,476
Depreciation	17,031
Decrease (increase) in inventories	(1,877)
Decrease (increase) in accounts receivable	1,172
(Decrease) increase in accounts payable	(594)
(Decrease) increase in deferred revenue	93
Net cash used in operating activities	<u><u>(206,710)</u></u>

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

During the year ended June 30, 2005, the District received \$22,476 of federal commodities.

The School Nutrition Fund also received \$141,210 of equipment that was purchased by other funds

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2005

	Private Purpose Trust <u>Scholarship</u> \$	<u>Agency</u> \$
<b>Assets</b>		
Cash and pooled investments	27,627	2,040
<b>Liabilities</b>		
Other payables	-	<u>2,040</u>
<b>Net Assets</b>		
Reserved for student special needs	906	-
Reserved for scholarships	<u>26,721</u>	<u>-</u>
<b>Total net assets</b>	<u><u>27,627</u></u>	<u><u>-</u></u>

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

Year ended June 30, 2005

	Private Purpose Trust Scholarship <u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	500
Interest	454
Total additions	<u>954</u>
Deductions:	
Support services:	
Scholarships awarded	409
Supplies	20
	<u>429</u>
Change in net assets	525
Net assets beginning of year	<u>27,102</u>
Net assets end of year	<u><u>27,627</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Year ended June 30, 2005

**1. Summary of Significant Accounting Policies**

AGWSR Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Ackley, Geneva, Wellsburg and Steamboat Rock, Iowa and the predominately agricultural territory in a portion of Grundy, Franklin and Butler Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, AGWSR Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The AGWSR Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the

District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004, through June 30, 2005, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

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

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

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

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

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the

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

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

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

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

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

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the other expenditures function exceeded the amount budgeted.

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

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 40.

### 3. Interfund Receivables and Payables

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
	Nonmajor Enterprise:	
General Fund	Daycare Fund	19,655

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

### 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
		\$
Capital Projects Fund	Nonmajor Governmental: Physical Plant and Equipment Levy Fund	442,373
Nonmajor Enterprise: Daycare Fund	General Fund	117,753
Debt Service Fund	Nonmajor Governmental: Physical Plant and Equipment Levy Fund	171,613
Nonmajor Enterprise: School Nutrition Fund	Capital Projects Fund	141,210

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

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

The \$141,210 transfer reflects equipment purchased by the Capital Projects Fund that is used for the school nutrition program.

### 5. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	488,898	-	488,898	-
Land	52,000	-	-	52,000
Total capital assets not being depr.	<u>540,898</u>		<u>488,898</u>	<u>52,000</u>

Capital assets being depreciated:				
Buildings	4,295,951	1,545,700	-	5,841,651
Improvements other than buildings	598,200	-	-	598,200
Furniture and equipment	1,465,379	126,431	-	1,591,810
Total capital assets being deprec.	<u>6,359,530</u>	<u>1,672,131</u>	-	<u>8,031,661</u>
Less accumulated depreciation for:				
Buildings	3,082,832	93,776	-	3,176,608
Improvements other than buildings	374,105	28,321	-	402,426
Furniture and equipment	1,123,350	97,498	-	1,220,848
Total accumulated depreciation	<u>4,580,287</u>	<u>219,595</u>	-	<u>4,799,882</u>
Total capital assets being depreciated, net	<u>1,779,243</u>	<u>1,452,536</u>	-	<u>3,231,779</u>
Governmental activities capital assets, net	<u>2,320,141</u>	<u>1,452,536</u>	<u>488,898</u>	<u>3,283,779</u>
	Balance			Balance End
	Beginning of	Increases	Decreases	of Year
	Year			
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	148,928	141,210	56,238	233,900
Less accumulated depreciation	<u>113,914</u>	<u>17,031</u>	<u>56,164</u>	<u>74,781</u>
Business type activities capital assets, net	<u>35,014</u>	<u>124,179</u>	<u>74</u>	<u>159,119</u>

Depreciation expense was charged by the District as follows:

	\$
Governmental activities:	
Instruction:	
Regular	19,622
Other	7,147
Support Services:	
Student services	3,269
Instructional staff services	8,593
Administration services	9,614
Operation and maintenance of plant services	1,628
Transportation	<u>47,625</u>
	97,498
Unallocated depreciation	<u>122,097</u>
Total depreciation expense – governmental activities	<u>219,595</u>
Business type activities:	
Food service operations	<u>17,031</u>

## 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Capital loan notes	1,200,000	-	133,333	1,066,667	133,333
Early retirement	69,864	-	31,206	38,658	10,667
<b>Total</b>	<b>1,269,864</b>	<b>-</b>	<b>164,539</b>	<b>1,105,325</b>	<b>144,000</b>

### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of service to the District. The District's early retirement program terminates on June 15, of each year and the adoption of policy must be approved by the board annually. Employees must complete an application which is subject to approval by the Board of Education. Early retirement expenditures for the year ended June 30, 2005 totaled \$31,206.

### Capital Loan Notes

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2006	3.30	133,333	35,200	168,533
2007	3.30	133,333	30,800	164,133
2008	3.30	133,333	26,400	159,733
2009	3.30	133,333	22,000	155,333
2010	3.30	133,333	17,600	150,933
2010-2013	3.30	400,002	26,400	426,402
		<u>1,066,667</u>	<u>158,400</u>	<u>1,225,067</u>

During the year the District paid \$171,613 of principal and interest on the notes.

## **7. Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$243,540, \$227,511, and \$213,618 respectively, equal to the required contributions for each year.

## **8. Risk Management**

The District was a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$3.9 million. The District's share of this assessment was \$96,899 which is recorded as a liability as of June 30, 2005.

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

## **9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$244,405 for the year ended June 30, 2005, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## **10. Deficit Net Assets**

The Enterprise Daycare Fund has a deficit net asset balance of \$11,886 at June 30, 2005.

REQUIRED SUPPLEMENTARY INFORMATION

AGWSR COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	4,745,283	364,903	5,110,186	4,969,513	4,969,513	140,673
State sources	3,149,569	3,913	3,153,482	3,171,698	3,171,698	(18,216)
Federal sources	257,379	130,415	387,794	467,979	467,979	(80,185)
Total receipts	<u>8,152,231</u>	<u>499,231</u>	<u>8,651,462</u>	<u>8,609,190</u>	<u>8,609,190</u>	<u>42,272</u>
Disbursements:						
Instruction	5,446,653	-	5,446,653	5,827,000	5,827,000	380,347
Support services	1,847,127	-	1,847,127	2,271,000	2,271,000	423,873
Non-instructional programs	21,978	584,109	606,087	549,000	625,680	19,593
Other expenditures	1,914,749	-	1,914,749	500,679	1,789,000	(125,749)
Total disbursements	<u>9,230,507</u>	<u>584,109</u>	<u>9,814,616</u>	<u>9,147,679</u>	<u>10,512,680</u>	<u>698,064</u>
Excess (deficiency) of receipts over (under) disbursements	(1,078,276)	(84,878)	(1,163,154)	(538,489)	(1,903,490)	740,336
Other financing sources (uses) net	<u>(65,446)</u>	<u>75,737</u>	<u>10,291</u>	<u>-</u>	<u>-</u>	<u>10,291</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	(1,143,722)	(9,141)	(1,152,863)	(538,489)	(1,903,490)	750,627
Balance beginning of year	<u>2,475,469</u>	<u>13,055</u>	<u>2,488,524</u>	<u>1,357,389</u>	<u>1,357,389</u>	<u>1,131,135</u>
Balance end of year	<u><u>1,331,747</u></u>	<u><u>3,914</u></u>	<u><u>1,335,661</u></u>	<u><u>818,900</u></u>	<u><u>(546,101)</u></u>	<u><u>1,881,762</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
	\$	\$	\$
Revenues	8,152,231	111,816	8,264,047
Expenditures	9,230,507	(139,375)	9,091,132
Net	(1,078,276)	251,191	(827,085)
Other financing sources (uses) net	(65,446)	(42,016)	(107,462)
Beginning fund balances	2,475,469	(112,569)	2,362,900
Ending fund balances	<u>1,331,747</u>	<u>96,606</u>	<u>1,428,353</u>

	<u>Proprietary Fund Type</u>		
	<u>Enterprise</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Accrual Basis</u>
	\$	\$	\$
Revenues	499,231	(1,339)	497,892
Expenditures	584,109	14,560	598,669
Net	(84,878)	(15,899)	(100,777)
Other financing sources (uses) net	75,737	183,226	258,963
Beginning fund balances	13,055	(17,249)	(4,194)
Ending fund balances	<u>3,914</u>	<u>150,078</u>	<u>153,992</u>

AGWSR COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by the fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$1,365,001.

During the year ended June 30, 2005, disbursements in the other expenditures function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

## AGWSR COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2005

Assets	Special Revenue Funds				Total
	Management	Student	Physical	District	
	Levy	Activity	Plant and	Support	
		Equipment	Trust		
	\$	\$	\$	\$	\$
Cash and pooled investments	244,884	44,189	157,493	33,758	480,324
Receivables:					
Property tax:					
Delinquent	2,977	-	3,054	-	6,031
Succeeding year	200,000	-	156,909	-	356,909
Accrued interest	189	-	575	-	764
Due from other governments	-	-	179,320	-	179,320
<b>Total assets</b>	<b>448,050</b>	<b>44,189</b>	<b>497,351</b>	<b>33,758</b>	<b>1,023,348</b>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Accounts payable	-	3,087	-	1,773	4,860
Deferred revenue:					
Succeeding year property tax	200,000	-	156,909	-	356,909
Other	-	-	179,320	-	179,320
Total liabilities	200,000	3,087	336,229	1,773	541,089
Fund balances:					
Unreserved reported in:					
Special revenue funds	248,050	41,102	161,122	31,985	482,259
<b>Total liabilities and fund balances</b>	<b>448,050</b>	<b>44,189</b>	<b>497,351</b>	<b>33,758</b>	<b>1,023,348</b>

## AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Special Revenue Funds					Total
	Management	Student	Physical	District	Debt	
	Levy	Activity	Plant and	Support	Service	
		Equipment	Trust			
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	149,754	-	343,857	-	-	493,611
Other	1,458	198,534	5,429	100,568	-	305,989
State sources	103	-	106	-	-	209
Total revenues	<u>151,315</u>	<u>198,534</u>	<u>349,392</u>	<u>100,568</u>	<u>-</u>	<u>799,809</u>
Expenditures:						
Current:						
Instruction:						
Regular instruction	31,489	-	-	-	-	31,489
Other instruction	-	216,292	-	93,807	-	310,099
Support services:						
Administration services	8,722	-	-	-	-	8,722
Operation and maintenance of plant services	40,852	-	-	-	-	40,852
Transportation services	21,050	-	41,600	-	-	62,650
Non-instructional programs	4,125	-	-	-	-	4,125
Other expenditures:						
Facilities acquisition	-	-	38,680	-	-	38,680
Long-term debt:						
Principal	-	-	-	-	133,333	133,333
Interest and fiscal charges	-	-	-	-	38,280	38,280
Total expenditures	<u>106,238</u>	<u>216,292</u>	<u>80,280</u>	<u>93,807</u>	<u>171,613</u>	<u>668,230</u>
Excess (deficiency) of revenues over (under) expenditures	<u>45,077</u>	<u>(17,758)</u>	<u>269,112</u>	<u>6,761</u>	<u>(171,613)</u>	<u>131,579</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	171,613	171,613
Operating transfers out	-	-	(613,986)	-	-	(613,986)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(613,986)</u>	<u>-</u>	<u>171,613</u>	<u>(442,373)</u>
Net change in fund balances	45,077	(17,758)	(344,874)	6,761	-	(310,794)
Fund balance beginning of year	<u>202,973</u>	<u>58,860</u>	<u>505,996</u>	<u>25,224</u>	<u>-</u>	<u>793,053</u>
Fund balance end of year	<u>248,050</u>	<u>41,102</u>	<u>161,122</u>	<u>31,985</u>	<u>-</u>	<u>482,259</u>

## AGWSR COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets  
Nonmajor Proprietary Funds

June 30, 2005

	Nonmajor Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	3,914	-	3,914
Accounts receivable	123	8,218	8,341
Inventories	5,658	-	5,658
Capital assets, net of accumulated of accumulated depreciation	159,119	-	159,119
<b>Total assets</b>	<u>168,814</u>	<u>8,218</u>	<u>177,032</u>
<b>Liabilities</b>			
Accounts payable	-	449	449
Interfund payables	-	19,655	19,655
Deferred revenue	2,936	-	2,936
<b>Total liabilities</b>	<u>2,936</u>	<u>20,104</u>	<u>23,040</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	159,119	-	159,119
Unrestricted	6,759	(11,886)	(5,127)
<b>Total net assets</b>	<u><u>165,878</u></u>	<u><u>(11,886)</u></u>	<u><u>153,992</u></u>

## AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Nonmajor Enterprise Funds		
	School Nutrition \$	Daycare \$	Total \$
Operating revenue:			
Local sources:			
Charges for service	<u>138,370</u>	<u>215,288</u>	<u>353,658</u>
Operating expenses:			
Non-instructional programs:			
Salaries	111,539	204,518	316,057
Benefits	24,461	54,255	78,716
Purchased services	10,360	19,610	29,970
Supplies	125,899	30,996	156,895
Depreciation	17,031	-	17,031
	<u>289,290</u>	<u>309,379</u>	<u>598,669</u>
Operating gain (loss)	<u>(150,920)</u>	<u>(94,091)</u>	<u>(245,011)</u>
Non-operating revenue:			
State sources	3,913	-	3,913
Federal sources	121,854	8,561	130,415
Donations	-	9,183	9,183
Interest income	797	-	797
Loss on disposal of equipment	(74)	-	(74)
Total non-operating revenue	<u>126,490</u>	<u>17,744</u>	<u>144,234</u>
Gain (loss) before contributions and transfers	(24,430)	(76,347)	(100,777)
Capital contributions	141,210	-	141,210
Transfers in	-	117,753	117,753
	<u>141,210</u>	<u>117,753</u>	<u>258,963</u>
Change in net assets	116,780	41,406	158,186
Net assets beginning of year	<u>49,098</u>	<u>(53,292)</u>	<u>(4,194)</u>
Net assets end of year	<u><u>165,878</u></u>	<u><u>(11,886)</u></u>	<u><u>153,992</u></u>

Combining Schedule of Cash Flows  
Nonmajor Proprietary Funds

Year ended June 30, 2005

	Nonmajor Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
<b>Cash flows from operating activities:</b>			
Cash received from sale of lunches and breakfasts	138,457	-	138,457
Cash received from daycare services	-	216,466	216,466
Cash payments to employees for services	(136,000)	(258,773)	(394,773)
Cash payments to suppliers for goods or services	(115,686)	(51,174)	(166,860)
Net cash used by operating activities	<u>(113,229)</u>	<u>(93,481)</u>	<u>(206,710)</u>
<b>Cash flows from non-capital financing activities:</b>			
Interfund loan repayments	-	(42,016)	(42,016)
Transfers from other funds	-	117,753	117,753
Donations	-	9,183	9,183
State grants received	3,913	-	3,913
Federal grants received	99,378	8,561	107,939
Net cash provided by non-capital financing activities	<u>103,291</u>	<u>93,481</u>	<u>196,772</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash flows from investing activities:</b>			
Interest on investments	<u>797</u>	<u>-</u>	<u>797</u>
Net increase (decrease) in cash and cash equivalents	(9,141)	-	(9,141)
Cash and cash equivalents at beginning of year	<u>13,055</u>	<u>-</u>	<u>13,055</u>
Cash and cash equivalents at end of year	<u>3,914</u>	<u>-</u>	<u>3,914</u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>			
Operating gain (loss)	(150,920)	(94,091)	(245,011)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	22,476	-	22,476
Depreciation	17,031	-	17,031
Decrease (increase) in inventories	(1,877)	-	(1,877)
Decrease (increase) in accounts receivable	(6)	1,178	1,172
(Decrease) increase in accounts payable	(26)	(568)	(594)
(Decrease) increase in deferred revenue	93	-	93
Net cash used in operating activities	<u>(113,229)</u>	<u>(93,481)</u>	<u>(206,710)</u>

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

During the year ended June 30, 2005, the District received \$22,476 of federal commodities.

The School Nutrition Fund also received \$141,210 of equipment that was purchased by other funds

## AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund,  
Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
All athletics	3,659	11,454	5,724	(9,389)	-
Football	8,765	24,146	26,569	(373)	5,969
Volleyball	(192)	2,677	3,890	1,405	-
Boys basketball	10,564	18,861	18,994	(1,992)	8,439
Girls basketball	8,938	4,422	2,562	(1,190)	9,608
Wrestling	2,436	3,246	3,379	(140)	2,163
Boys track	(893)	1,174	1,768	1,487	-
Girls track	303	680	693	(290)	-
Boys golf	(206)	529	719	396	-
Girls golf	(273)	53	814	1,034	-
Baseball	(664)	3,240	5,383	-	(2,807)
Softball	1,078	6,008	6,708	(750)	(372)
Tennis	(177)	-	250	427	-
MS football	(944)	-	1,254	2,198	-
MS volleyball	(293)	35	535	793	-
MS boys basketball	(495)	227	1,724	1,992	-
MS girls basketball	(765)	327	752	1,190	-
MS wrestling	(120)	-	120	240	-
MS boys track	(929)	159	502	1,272	-
MS girls track	(1,044)	135	494	1,302	(101)
MS baseball	(579)	-	1,081	-	(1,660)
MS Softball	(1,736)	450	726	750	(1,262)
Weightlifting	1,900	555	1,842	(225)	388
Little league	17	-	-	-	17
Youth basketball	300	995	1,105	-	190
Volleyball camp	133	-	-	-	133
Youth football	750	601	-	-	1,351
Cross country	-	1,135	1,466	-	(331)
Art club	90	-	-	-	90
A-G band trip	12,621	17,902	11,071	-	19,452
Cheerleaders	(183)	1,350	1,555	-	(388)
Drama	771	690	642	(50)	769
FFA	3,452	21,930	20,968	(225)	4,189
FCCLA	243	2,596	2,856	180	163
National Honor Society	253	277	472	-	58
Photo club	110	-	-	-	110
Foreign language club	3,496	5,847	9,193	-	150
Student council	3,884	16,548	17,953	(537)	1,942
Cougar impact	4,865	2,330	5,713	-	1,482
MS student council	135	47	42	-	140

## AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund,  
Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
MS cheerleaders	250	-	37	-	213
MS drama	1,986	-	-	-	1,986
AV club	216	-	-	-	216
Dinner theatre	136	-	136	-	-
Special - ag marketing classes	25	-	-	(25)	-
MS awards	208	-	-	(208)	-
MS band	2,241	(82)	2,159	-	-
Drill team	202	1,129	1,815	-	(484)
Fall musical	(211)	1,017	1,390	-	(584)
Elementary musical	(129)	-	-	-	(129)
Torch	(3,841)	12,487	15,379	400	(6,333)
Material for resale	(447)	5,298	6,688	-	(1,837)
Athletic resale	306	-	-	-	306
MS snack account	(250)	8,138	7,689	208	407
Class of 2000	19	-	19	-	-
Class of 2003	48	-	48	-	-
Class of 2005	938	6,603	7,787	120	(126)
Class of 2006	360	13,164	13,006	-	518
Class of 2007	-	154	-	-	154
June 30, 2004 accrual entries	(2,467)	-	(2,467)	-	-
June 30,2003 accrual entries	-	-	3,087	-	(3,087)
	<u>58,860</u>	<u>198,534</u>	<u>216,292</u>	<u>-</u>	<u>41,102</u>
Total	<u>58,860</u>	<u>198,534</u>	<u>216,292</u>	<u>-</u>	<u>41,102</u>

## AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
After prom	3,265	15,352	13,754	4,863
Couger gym improvement	3,708	-	136	3,572
Wellsburg daycare improvements	2,993	10,290	11,919	1,364
Booster club	9,486	65,967	60,234	15,219
Mat club	373	-	-	373
PTA	5,399	8,959	7,764	6,594
	<u>25,224</u>	<u>100,568</u>	<u>93,807</u>	<u>31,985</u>

## AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2005

	Elementary Employee Vending	HS Employee Vending	Total
	\$	\$	\$
Balance beginning of year	1,493	79	1,572
Additions:			
Miscellaneous	753	1,002	1,755
Deductions:			
Miscellaneous	<u>600</u>	<u>687</u>	<u>1,287</u>
Balance end of year	<u><u>1,646</u></u>	<u><u>394</u></u>	<u><u>2,040</u></u>

## AGWSR COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	4,144,623	3,298,949	3,351,047	3,110,174
Tuition	215,062	219,653	222,359	201,583
Other	497,507	442,158	427,858	392,168
State sources	3,151,878	3,145,204	3,309,831	3,285,142
Federal sources	354,977	262,743	233,848	226,101
Total revenues	<u>8,364,047</u>	<u>7,368,707</u>	<u>7,544,943</u>	<u>7,215,168</u>
Expenditures:				
Instruction:				
Regular instruction	3,349,177	3,236,274	3,197,706	3,328,075
Special instruction	985,460	1,333,434	1,306,469	1,134,976
Other instruction	1,029,519	616,771	615,720	642,498
Support services:				
Student services	137,762	120,982	171,815	221,728
Instructional staff services	179,666	135,529	164,255	168,962
Administration services	721,870	631,133	491,771	542,108
Operation and maintenance of plant services	530,142	480,841	444,004	440,803
Transportation services	433,654	346,131	372,151	366,862
Central support services				
Non-instructional programs	21,978	20,287	10,559	4,065
Other expenditures:				
Facilities acquisition	1,285,886	668,407	79,325	168,451
Long-term debt:				
Principal	133,333	-	-	-
Interest and other charges	38,280	-	-	-
AEA flowthrough	244,405	250,842	268,267	269,313
Total expenditures	<u>9,091,132</u>	<u>7,840,631</u>	<u>7,122,042</u>	<u>7,287,841</u>

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
AGWSR Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of AGWSR Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 7, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered AGWSR Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items 05-I-A, 05-I-B and 05-I-C are material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether AGWSR Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of AGWSR Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

September 7, 2005

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

05-I-C Supporting Documentation: We noted three General Fund payments totaling \$1,736 that were not supported by invoices or receipts. We also noted one Capital Projects Fund payment to a contractor that was not on the lists of bills approved by the board of directors

Recommendation: The District should have sufficient documentation such as an invoice, receipt, contract, entry form, or registration form for all disbursements. Also all payments should be approved by the board.

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

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Conclusion: Response accepted.

Part II: Other Findings Related to Statutory Reporting:

- 05-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- 05-II-B Certified Budget: Disbursements for the year ended June 30, 2005, exceeded the amount budgeted in the other expenditures function.
- Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.
- District Response: We did amend our budget, but year end disbursements were more than anticipated
- Conclusion: Response accepted.
- 05-II-C Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 05-II-D Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 05-II-E Business Transactions: We noted no transactions between the District and District officials or employees.
- 05-II-F Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 05-II-G Board Minutes: Except as noted in comment 05-I-C no transactions requiring board approval that had not been approved by the board were noted. We did note that the minutes were not published in a timely manner as required by the Code of Iowa.
- Recommendation: Minutes should be published within two weeks of the meeting as required by the Code of Iowa.
- District Response: Our local paper is published weekly which make it difficult to get the minutes published within the time required. We will try to get the minutes to the newspaper sooner.
- Conclusion: Response accepted.
- 05-II-H Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

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

- 05-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 05-II-J Certified Annual Report (CAR): We reviewed a draft copy of the CAR, and noted no significant deficiencies in the amounts reported.
- 05-II-K Deficit Balances: The District has a deficit net assets balance in the Enterprise, Daycare Fund of \$11,886 at June 30, 2005
- Recommendation: The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.
- District Response: We have decreased the deficit during the past year and will continue to investigate methods to eliminate the deficit.
- Conclusion: Response accepted.
- 05-II-L Construction Contract Change Orders: We noted that the Board of Directors did not approve change orders.
- Recommendation: All contract changes should be approved by the Board and documented in the minutes.
- District Response: All future contract changes will be documented in the minutes.
- Conclusion: Response accepted.
- 05-II-M Fund Transfers: We noted two \$38,064 of transfers from the General Fund to the Enterprise Daycare Fund for which we could find no documentation of approval by the board.
- Recommendation: All fund transfers should be approved by the board and documented in the minutes.
- District Response: We will document approval of all fund transfers in the future.
- Conclusion: Response accepted.
- 05-II-N Old Outstanding Checks: We noted that the District's bank reconciliations included approximately \$1,676 of old outstanding checks. Iowa Code Section 566 specifies that holders unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

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

Recommendation: The District should investigate the status of all old outstanding checks. Checks that were issued in error or in duplicate should be voided and removed from the list of outstanding checks. The District should search for the owners of all other outstanding checks, then reissue new checks if the owners are found. If the owners can not be found, the District must file an unclaimed property report with and send the money to the Treasurer State of Iowa.

District Response: We will begin investigating the status of old outstanding checks and we will file an unclaimed property report with the Treasurer of Iowa if necessary.

Conclusion: Response accepted.