ANDREW COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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Andrew Community School District

Officials

Name	Title	Term Expires
	Board of Education (Before September 2004 election)	
Charles Cornelius	President	2006
Joell Deppe	Vice President	2005
Kevin Kilburg	Board Member	2004
Allan W. Till	Board Member	2004
Charles Schwager	Board Member	2005
	Board of Education (After September 2004 election)	
Charles Cornelius	President	2006
Charles Schwager	Vice President	2005
Kevin Kilburg	Board Member	2007
Allan W. Till	Board Member	2007
Joell Deppe	Board Member	2005
	School Officials	
Kent Hammer	Superintendent	2005
Ruth Hingtgen	District Secretary/ Treasurer	2005
Lane & Waterman	Attorney	2005

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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Andrew 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 Andrew Community School District, Andrew Iowa, 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. 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Andrew Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated September 14, 2005 on our consideration of the Andrew Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 11 and 31 through 34 are not required parts of the basic financial statements, but are supplementary

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Andrew 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 three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

September 14, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Andrew 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 $2,583,404 in fiscal 2004 to $2,673,799 in fiscal 2005, while General Fund expenditures increased from $2,649,988 in fiscal 2004 to $2,940,086 in fiscal 2005. This resulted in a decrease in the District's General Fund balance from $244,495 in fiscal 2004 to a deficit balance of $21,792 in fiscal 2005, a 108.9% decrease from the prior year.

- The increase in General Fund revenues was attributable to an increase in state and federal grant revenue in fiscal 2005. The increase in expenditures was due primarily to an increase across the board in all expenditure categories. One reason the General Fund balance decreased is because the increase in revenues was not enough to cover the increases in expenditures.

- An increase in interest rates during the past fiscal year, resulted in interest earnings in the General Fund to increase from $2,747 in fiscal year 2004 to $11,450 in fiscal year 2005.

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

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

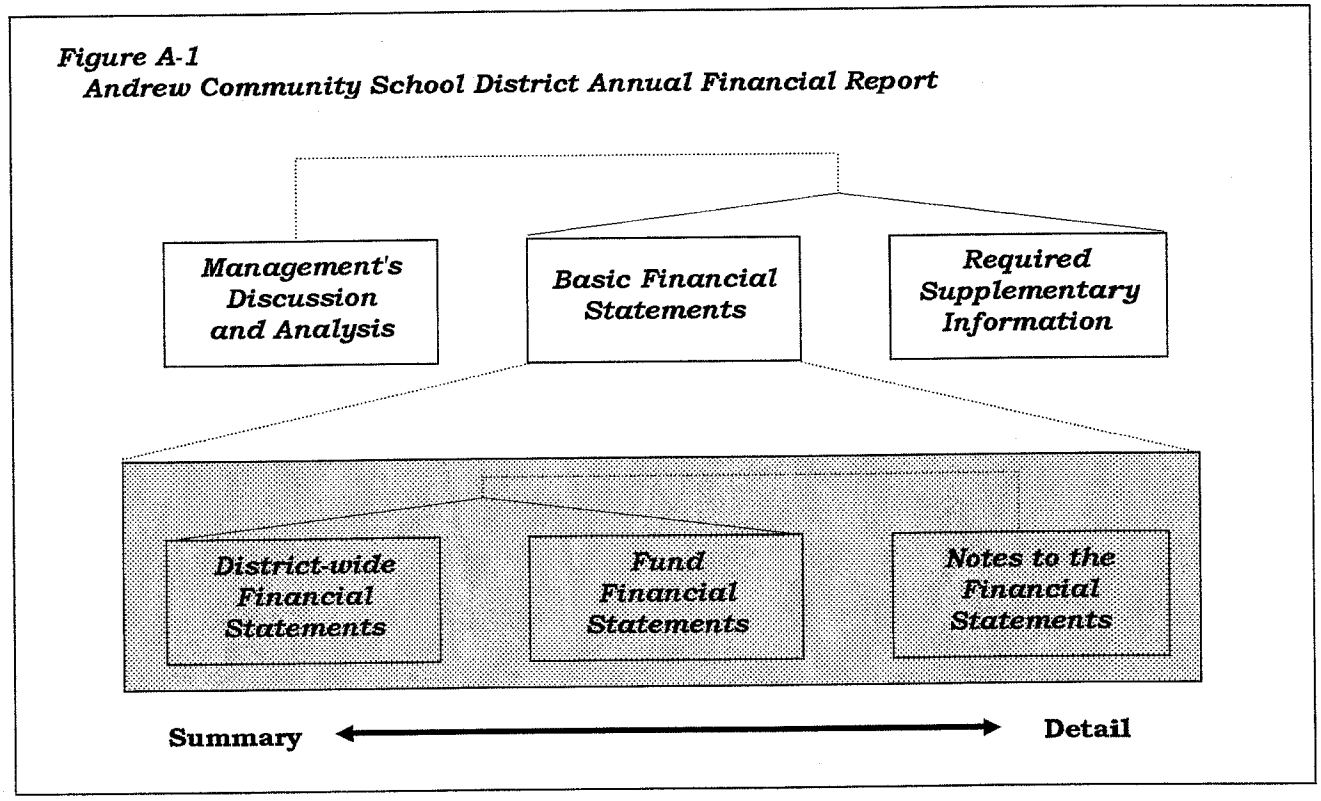

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary 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
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	$ 2,395,378	2,206,984	5,233	4,959	2,400,611	2,211,943	8.53%
Capital assets	402,323	299,587	61,636	1,472	463,959	301,059	54.11%
Total assets	2,797,701	2,506,571	66,869	6,431	2,864,570	2,513,002	13.99%
Long-term obligations	0	0	0	0	0	0	0%
Other liabilities	1,961,582	1,487,806	2,044	1,834	1,963,626	1,489,640	31.82%
Total liabilities	1,961,582	1,487,806	2,044	1,834	1,963,626	1,489,640	31.82%
Net assets:							
Invested in capital assets, net of related debt	402,323	299,587	61,636	1,472	463,959	301,059	54.11%
Restricted	236,245	366,434	0	0	236,245	366,434	-35.53%
Unrestricted	197,551	352,744	3,189	3,125	200,740	355,869	-43.59%
Total net assets	$ 836,119	1,018,765	64,825	4,597	900,944	1,023,362	-11.96%

The District's combined net assets decreased by 11.96%, or $122,418, over the prior year. The largest portion of the District's net assets is the invested in capital assets 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 decreased approximately $130,189, or 35.53% over the prior 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 $155,129, or 43.59%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	$ 303,873	291,813	66,866	64,186	370,739	355,999	4.14%
Operating grants and contributions and restricted interest	324,248	305,994	44,427	45,498	368,675	351,492	4.89%
General revenues:							
Local tax	962,779	963,564	0	0	962,779	963,564	-0.08%
Local option sales and services tax	140,135	156,267	0	0	140,135	156,267	-10.32%
Unrestricted state grants	1,264,519	1,217,966	0	0	1,264,519	1,217,966	3.82%
Unrestricted investment earnings	11,450	4,296	42	62	11,492	4,358	163.70%
Total revenues	3,007,004	2,939,900	111,335	109,746	3,118,339	3,049,646	2.25%
Program expenses:							
Governmental activities:							
Instructional	2,095,974	2,084,783	0	0	2,095,974	2,084,783	0.54%
Support services	769,051	890,104	0	0	769,051	890,104	-13.60%
Non-instructional programs	13,744	14,840	116,941	106,190	130,685	121,030	7.98%
Other expenses	310,881	132,313	0	0	310,881	132,313	134.96%
Total expenses	3,189,650	3,122,040	116,941	106,190	3,306,591	3,228,230	2.43%
Change in net assets before other financing sources (uses) net	(182,646)	(182,140)	(5,606)	3,556	(188,252)	(178,584)	5.41%
Other financing sources net	0	0	65,834	0	65,834	0	100.00%
Change in net assets	$ (182,646)	(182,140)	60,228	3,556	(122,418)	(178,584)	-31.45%
Beginning net assets	1,018,765	1,200,905	4,597	1,041	1,023,362	1,201,946	-14.86%
Ending net assets	$ 836,119	1,018,765	64,825	4,597	900,944	1,023,362	-11.96%

Property tax and unrestricted state grants account for approximately 71% of the total revenue. The District's expenses primarily relate to instruction and support services which account for approximately 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were $3,007,004 and expenses were $3,189,650. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	$ 2,095,974	1,570,960
Support services	769,051	763,639
Non-instructional	13,744	13,744
Other expenses	310,881	213,186
Totals	$ 3,189,650	2,561,529

- The cost financed by users of the District's programs was $303,873.
- Federal and state governments subsidized certain programs with grants and contributions totaling $324,248.
- The net cost of governmental activities was financed with $1,102,914 in property and other taxes and $1,264,519 in unrestricted state grants.

Business-Type Activities

Revenues of the District's business-type activities were $111,335 and expenses were $116,941. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of $213,300, below last year's ending fund balances of a $609,259. However, the primary reason for the decrease in combined fund balances in fiscal 2005 is due increased expenditures for instruction and construction.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Growth during the year in 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 $244,495 to a deficit balance of $21,792, due in part to increased expenditures during the fiscal year.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from $4,597 at June 30, 2004 to $64,825 at June 30, 2005, representing an increase of approximately 1310%. For fiscal 2005, the District received a capital contribution from the Capital Projects Fund for new equipment in the newly renovated kitchen.

BUDGETARY HIGHLIGHTS

The District's receipts were $36,396 more than budgeted receipts, a variance of 1.2%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested $463,959, 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 amount represents a net increase of 4.83% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was $72,400.

The original cost of the District's capital assets was $2,595,736. Governmental funds account for $2,508,639 with the remainder of $87,097 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled $28,044 at June 30, 2004, compared to $0 reported at June 30, 2005. This decrease resulted from the completion of the kitchen project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Land	$ 7,201	7,201	0	0	7,201	7,201	0.00%
Construction in progress	0	28,044	0	0	0	28,044	-100.00%
Buildings	225,662	55,104	0	0	225,662	55,104	309.52%
Improvements other than buildings	30,668	19,508	0	0	30,668	19,508	57.21%
Machinery and equipment	138,792	189,730	61,636	1,472	200,428	191,202	4.83%
Total	$ 402,323	299,587	61,636	1,472	463,959	301,059	54.11%

Long Term Debt

At June 30, 2005, the District has no long term debt.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- A projected 20% decrease in enrollment over the next five years will mean a decrease or stagnant revenue stream from the state. The District is currently developing a long range plan to address this situation.

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 Ruth Hingtgen, District Treasurer, Andrew Community School District, 13 S. Marion St, P.O. Box 230, Andrew, Iowa, 52030.

BASIC FINANCIAL STATEMENTS

Exhibit A

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:			
ISCAP (Note 3)	$ 643,505	3,433	646,938
Other	708,095	0	708,095
Receivables			
Property tax:			
Delinquent	28,967	0	28,967
Succeeding year	877,865	0	877,865
Income surtax	95,915	0	95,915
Accounts	2,770	0	2,770
Accrued ISCAP interest (Note 3)	3,334	0	3,334
Due from other governments	34,927	0	34,927
Inventories	0	1,800	1,800
Capital assets, net of accumulated depreciation(Note 4)	402,323	61,636	463,959
TOTAL ASSETS	2,797,701	66,869	2,864,570
LIABILITIES			
Accounts payable	121,199	0	121,199
Salaries and benefits payable	278,019	2,044	280,063
ISCAP warrants payable (Note 3)	641,000	0	641,000
ISCAP accrued interest payable (Note 3)	3,583	0	3,583
ISCAP unamortized premium	6,820	0	6,820
Deferred revenue:			
Succeeding year property tax	877,865	0	877,865
Incurred but not reported claims	33,096	0	33,096
TOTAL LIABILITIES	1,961,582	2,044	1,963,626
NET ASSETS			
Investment in capital assets, net of related debt	402,323	61,636	463,959
Restricted for:			
Teacher Compensation	633	0	633
Phase III	136	0	136
Early Intervention	384	0	384
Capital projects	85,706	0	85,706
Management levy	62,752	0	62,752
Physical plant and equipment levy	72,292	0	72,292
Other special revenue purposes	14,342	0	14,342
Unrestricted	197,551	3,189	200,740
TOTAL NET ASSETS	$ 836,119	64,825	900,944

SEE NOTES TO FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

		Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	$ 1,349,401	296,525	220,536	0
Special instruction	477,788	7,168	785	0
Other instruction	268,785	0	0	0
	2,095,974	303,693	221,321	0
Support services:				
Student services	77,693	0	0	0
Instructional staff services	62,741	0	0	0
Adminstration services	295,248	0	0	0
Operation and maintenance of plant services	134,038	0	0	0
Transportation services	199,331	180	5,232	0
	769,051	180	5,232	0
Non-instructional programs	13,744	0	0	0
Other expenditures:				
Facilities acquisitions	195,139	0	0	0
AEA flowthrough	97,695	0	97,695	0
Depreciation(unallocated)*	18,047	0	0	0
	310,881	0	97,695	0
Total governmental activities	3,189,650	303,873	324,248	0
Business-Type activities:				
Non-instructional programs:				
Nutrition services	116,941	66,866	44,427	0
Total business-type activities	116,941	66,866	44,427	0
Total	$ 3,306,591	370,739	368,675	0

General Revenues:
Local tax for:
General purposes
Capital outlay
Local option sales and services
Unrestricted state grants
Unrestricted investment earnings

Total general revenues

Changes in net assets before other financing sources (uses)

Other financing sources (uses)
Capital contribution
Loss on asset disposal
Total other financing sources (uses)

Changes in net assets after other financing sources (uses)

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(832,340)	0	(832,340)
(469,835)	0	(469,835)
(268,785)	0	(268,785)
(1,570,960)	0	(1,570,960)
(77,693)	0	(77,693)
(62,741)	0	(62,741)
(295,248)	0	(295,248)
(134,038)	0	(134,038)
(193,919)	0	(193,919)
(763,639)	0	(763,639)
(13,744)		(13,744)
(195,139)	0	(195,139)
0	0	0
(18,047)	0	(18,047)
(213,186)	0	(213,186)
(2,561,529)	0	(2,561,529)
0	(5,648)	(5,648)
0	(5,648)	(5,648)
(2,561,529)	(5,648)	(2,567,177)
$ 914,547	0	914,547
48,232	0	48,232
140,135	0	140,135
1,264,519	0	1,264,519
11,450	42	11,492
2,378,883	42	2,378,925
(182,646)	(5,606)	(188,252)
0	66,214	66,214
0	(380)	(380)
0	65,834	65,834
(182,646)	60,228	(122,418)
1,018,765	4,597	1,023,362
836,119	64,825	900,944

Exhibit C

ANDREW COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Other Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments:			
ISCAP (Note 3)	$ 643,505	0	643,505
Other	299,445	250,973	550,418
Receivables:			
Property tax:			
Delinquent	16,701	12,266	28,967
Succeeding year	793,886	83,979	877,865
Income surtax	95,915	0	95,915
Accounts	2,366	404	2,770
Accrued ISCAP interest (Note 3)	3,334	0	3,334
Due from other governments	34,927	0	34,927
TOTAL ASSETS	$ 1,890,079	347,622	2,237,701
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 92,648	28,551	121,199
Salaries and benefits payable	278,019	0	278,019
ISCAP warrants payable	641,000	0	641,000
ISCAP accrued interest payable (Note 3)	3,583	0	3,583
ISCAP unamortized premium (Note 3)	6,820	0	6,820
Deferred revenue:			
Succeeding year property tax	793,886	83,979	877,865
Income surtax	95,915	0	95,915
Total liabilities	1,911,871	112,530	2,024,401
Fund balances:			
Reserved for:			
Teacher Compensation	633	0	633
Phase III	136	0	136
Early Intervention	384	0	384
Unreserved:			
Undesignated	(22,945)	235,092	212,147
Total fund balances	(21,792)	235,092	213,300
TOTAL LIABILITIES AND FUND BALANCES	$ 1,890,079	347,622	2,237,701

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit D

ANDREW COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total fund balances of governmental funds (page 15)	$	213,300
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		402,323
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period.		95,915
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		124,581
Net assets of governmental activites (page 12)	$	836,119

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit E

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	$ 871,721	223,202	1,094,923
Tuition	187,982	0	187,982
Other	30,398	99,453	129,851
State sources	1,470,883	59	1,470,942
Federal sources	112,815	2,500	115,315
Total revenues	2,673,799	325,214	2,999,013
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	1,402,734	8,609	1,411,343
Special instruction	479,930	0	479,930
Other instruction	185,190	113,117	298,307
	2,067,854	121,726	2,189,580
Support services:			
Student services	81,664	132	81,796
Instructional staff services	65,734	85	65,819
Administration services	305,318	13,622	318,940
Operation and maintenance of plant services	150,521	9,167	159,688
Transportation services	155,094	21,996	177,090
	758,331	45,002	803,333
Non-instructional programs	16,206	1,641	17,847
Other expenditures:			
Facilities acquisitions	0	286,517	286,517
AEA flowthrough	97,695	0	97,695
	97,695	286,517	384,212
Total expenditures	2,940,086	454,886	3,394,972
Net change in fund balances	(266,287)	(129,672)	(395,959)
Fund balance beginning of year	244,495	364,764	609,259
Fund balance end of year	$ (21,792)	235,092	213,300

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit F

ANDREW COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2005

Net change in fund balances - total governmental funds (page 17)		$ (395,959)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	$ 169,466	
Depreciation expense	(66,730)	102,736
Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		7,991
Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.		102,586
Changes in net assets of governmental activities (page 14)		$ (182,646)

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit G

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	Business-Type Activities: Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service
Assets		
Cash and pooled investments	$ 3,433	157,677
Inventories	1,800	0
Capital assets, net of accumulated depreciation	61,636	0
Total current assets	66,869	157,677
Liabilities		
Deferred revenues	2,044	0
Incurred but not reported claims	0	33,096
Total liabilities	2,044	33,096
Net Assets		
Invested in capital assets, net of related debt	61,636	0
Unrestricted	3,189	124,581
Total net assets	$ 64,825	124,581

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit H

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	Business-Type Activities: Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service
OPERATING REVENUE:		
Local sources:		
Charges for services	$ 66,866	501,048
TOTAL OPERATING REVENUES	66,866	501,048
OPERATING EXPENSES:		
Non-instructional programs:		
Food service operations:		
Salaries	35,456	0
Benefits	23,309	398,462
Services	6,464	0
Supplies	46,042	0
Depreciation	5,670	0
TOTAL OPERATING EXPENSES	116,941	398,462
OPERATING PROFIT(LOSS)	(50,075)	102,586
NON-OPERATING REVENUES:		
State sources	1,638	0
Federal sources	42,789	0
Interest on investments	42	0
TOTAL NON-OPERATING REVENUES	44,469	0
Change in net assets before other financing uses	(5,606)	102,586
OTHER FINANCING SOURCES(USES):		
Loss on asset disposal	(380)	0
Capital contribution	66,214	0
TOTAL OTHER FINANCING SOURCES(USES)	65,834	0
Change in net assets after other financing source(uses)	60,228	102,586
Net assets beginning of year	4,597	21,995
Net assets end of year	$ 64,825	124,581

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit I

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	$ 68,757	0
Cash received from miscellanous operating activities	1,258	501,048
Cash payments to employees for services	(60,599)	(398,462)
Cash payments to suppliers for goods or services	(45,079)	(16,001)
Net cash provided by (used in) operating activities	(35,663)	86,585
Cash flows from non-capital financing activities:		
State grants received	1,638	0
Federal grants received	34,954	0
Net cash provided by non-capital financing activities	36,592	0
Cash flows from investing activities:		
Interest on investments	42	0
Net cash provided by investing activities	42	0
Net increase in cash and cash equivalents	971	86,585
Cash and cash equivalents at beginning of year	2,462	71,092
Cash and cash equivalents at end of year	$ 3,433	157,677
Reconciliation of operating gain (loss) to net cash provided (used) in operating activities:		
Operating gain(loss)	$ (50,075)	102,586
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	7,835	0
Depreciation	5,670	0
Increase in inventories	(408)	0
Decrease in accounts receivable	1,105	0
Decrease in incurred but not reported claims	0	(16,001)
Decrease in salaries and benefits payable	(1,834)	0
Increase in deferred revenue	2,044	0
Net cash provided by (used in) operating activities	$ (35,663)	86,585
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	$ 3,433	157,677

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at $7,835.

During the year ended June 30, 2005, the District's Nutrition Fund received capital contribution of $66,214 from the Capital Projects Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

(1) Summary of Significant Accounting Policies

The Andrew Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic are served includes the city of Andrew, Iowa, and the predominate agricultural territory in Jackson County. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements - The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed

from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded health insurance plan of the District. The Internal Service Fund is charged

back to the Governmental Funds and shown combined in the Statement of Net Assets and Statement of Activities. This chargeback is based upon a percentage of total employees by the participants' various functional areas.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	$ 2,000
Buildings	2,000
Improvements other than buildings	2,000
Furniture and equipment:	
School Nutrition Fund equipment	500

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

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

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

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

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

Long-term obligations - 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, expenditures did not exceed the amounts budgeted. The District adopted one budget amendment increasing the other expenditures from $338,159 to $350,000 to cover costs incurred from delayed invoices for the kitchen renovation project.

(2) Cash and Pooled Investments

The District's deposits in bank 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.

At June 30, 2005, the district had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	$ 539,491

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05A	6/30/04	6/30/05	33	0	0	0
2004-05B	1/28/05	1/27/06	239,691	3,247	239,000	3,506
2005-06A	6/28/05	6/28/06	403,781	87	402,000	77
Total			$ 643,505	3,334	641,000	3,583

The district pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the district must repay the outstanding withdrawal from its General Fund receipts. In addition, the district must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance activity in the General Fund for the year ended June 30, 2005 was noted.

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.000%	2.463%
2004-05B	3.500%	3.232%
2005-06A	3.500%	3.903%

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 7,201	0	0	7,201
Construction in progress	28,044	75,581	103,625	0
Total capital assets not being depreciated	35,245	75,581	103,625	7,201
Capital assets being depreciated:				
Buildings	1,245,900	183,498	0	1,429,398
Improvements other than buildings	44,989	13,643	0	58,632
Machinery and equipment	1,029,449	5,812	21,853	1,013,408
Total capital assets being depreciated	2,320,338	202,953	21,853	2,501,438
Less accumulated depreciation for:				
Buildings	1,190,796	12,940	0	1,203,736
Improvements other than buildings	25,481	2,483	0	27,964
Machinery and equipment	839,719	51,307	16,410	874,616
Total accumulated depreciation	2,055,996	66,730	16,410	2,106,316
Total capital assets being depreciated, net	264,342	136,223	5,443	395,122
Governmental activities capital assets, net	$ 299,587	211,804	109,068	402,323

	Balance Year	Increases	Decreases	Balance of Year
Business-type activities:				
Furniture and equipment	$ 30,988	66,214	10,105	87,097
Less accumulated depreciation	29,516	5,670	9,725	25,461
Business-type activities capital assets, net	$ 1,472	60,544	380	61,636

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	$ 8,901
Special	535
Other	2,635
Support services:	
Administration	3,198
Operation and maintenance of plant	2,966
Transportation	30,448
	48,683
Unallocated depreciation	18,047
Total governmental activities depreciation expense	$ 66,730
Business-type activities:	
Food services	$ 5,670
Total business-type activities depreciation expense	$ 5,670

(5) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were $89,227, $87,319, $87,289, respectively, equal to the required contributions for each year.

(6) Risk Management

The district has a self-funded health insurance plan. The District purchases commercial insurance to provide for the aggregate stop-loss coverage for the excess of 110% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of $20,000 in insured claims for any one covered individual. Settle claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was $157,677 at June 30, 2005. The incurred but not reported and unpaid claims liability of $33,096 reported in the plan at June 30, 2005 based on the requirements of GASB Statement Number 10, is set up as a liability on the balance sheet.

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

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled $97,695 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.

(8) Deficit Fund Balance/Net Assets

The General Fund had a deficit fund balance of $21,792 at June 30, 2005.

REQUIRED SUPPLEMENTAL INFORMATION

ANDREW COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	$ 1,400,118	70,057
State sources	1,462,809	1,638
Federal sources	109,752	42,789
Total revenues	2,972,679	114,484
Disbursements:		
Instruction	2,101,977	0
Support services	811,192	0
Non-instructional programs	17,832	113,513
Other expenditures	343,152	0
Total expenditures	3,274,153	113,513
Excess(deficiency) of receipts over(under) disbursements	(301,474)	971
Balance beginning of year	851,892	2,462
Balance end of year	$ 550,418	3,433

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance - Positive (Negative)
1,470,175	1,441,657	1,441,657	28,518
1,464,447	1,488,275	1,488,275	(23,828)
152,541	113,000	113,000	39,541
3,087,163	3,042,932	3,042,932	44,231
2,101,977	2,113,300	2,113,300	11,323
811,192	867,250	867,250	56,058
131,345	146,000	146,000	14,655
343,152	338,159	350,000	6,848
3,387,666	3,464,709	3,476,550	88,884
(300,503)	(421,777)	(433,618)	(133,115)
854,354	668,090	668,090	186,264
553,851	246,313	234,472	319,379

ANDREW COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	$ 2,972,679	26,334	2,999,013
Expenditures	3,274,153	120,819	3,394,972
Net	(301,474)	(94,485)	(395,959)
Beginning fund balances	851,892	(242,633)	609,259
Ending fund balances	$ 550,418	(337,118)	213,300

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	$ 114,484	(3,149)	111,335
Expenditures	113,513	3,428	116,941
Net	971	(6,577)	(5,606)
Other financing sources, net	0	65,834	65,834
Beginning fund balances	2,462	2,135	4,597
Ending fund balances	$ 3,433	61,392	64,825

ANDREW 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 Private-Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by $11,841.

OTHER SUPPLEMENTAL INFORMATION

Schedule 1

ANDREW COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Management	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Expendable Trust	Total
ASSETS						
Cash and pooled investments	$ 61,992	12,021	71,240	103,631	2,089	250,973
Receivables:						
Property tax:						
Current year delinquent	760	0	1,052	10,454	0	12,266
Succeeding year	35,000	0	48,979	0	0	83,979
Accounts	0	404	0	0	0	404
TOTAL ASSETS	$ 97,752	12,425	121,271	114,085	2,089	347,622
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts payable	$ 0	172	0	28,379	0	28,551
Deferred revenue:						
Succeeding year property tax	35,000	0	48,979	0	0	83,979
Total Liabilities	35,000	172	48,979	28,379	0	112,530
Fund equity:						
Fund balances:						
Unreserved:						
Undesignated	62,752	12,253	72,292	85,706	2,089	235,092
Total fund balances	62,752	12,253	72,292	85,706	2,089	235,092
TOTAL LIABILITIES AND FUND EQUITY	$ 97,752	12,425	121,271	114,085	2,089	347,622

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	Management	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Expendable Trust	Total
REVENUES:						
Local sources:						
Local tax	$ 34,835	0	48,232	140,135	0	223,202
Other	883	93,653	221	1,729	2,967	99,453
State sources	25	0	34	0	0	59
Federal sources	0	0	0	2,500	0	2,500
TOTAL REVENUES	35,743	93,653	48,487	144,364	2,967	325,214
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	2,521	0	3,362	0	2,726	8,609
Other instruction	0	113,117	0	0	0	113,117
Support services:						
Student support services	132	0	0	0	0	132
Instructional staff	85	0	0	0	0	85
Administration services	13,622	0	0	0	0	13,622
Operation and maintenance of plant services	9,167	0	0	0	0	9,167
Student transportation	6,996	0	15,000	0	0	21,996
Food service operations	1,641	0	0	0	0	1,641
Other expenditures:						
Facilities acquisitions	0	0	16,043	270,474	0	286,517
TOTAL EXPENDITURES	34,164	113,117	34,405	270,474	2,726	454,886
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	1,579	(19,464)	14,082	(126,110)	241	(129,672)
FUND BALANCE BEGINNING OF YEAR	61,173	31,717	58,210	211,816	1,848	364,764
FUND BALANCE END OF YEAR	$ 62,752	12,253	72,292	85,706	2,089	235,092

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2005

Account	Beginning of Year	Revenues	Expendi-tures	End of Year
General Athletics	$ (13)	8,763	4,923	3,827
Athletic Store	(45)	0	785	(830)
Girls Fundraiser	617	500	875	242
Boys Fundraising	858	1,183	1,683	358
Uniforms	100	755	765	90
Football	(1,461)	243	1,650	(2,868)
Extra Curricular	0	76	0	76
Dooster Club	1,944	10,395	6,924	5,415
Cross Country	(71)	400	883	(554)
Boys Basketball	(1,169)	335	3,142	(3,976)
Baseball	(1,256)	695	2,940	(3,501)
Boys Track	(333)	683	1,711	(1,361)
Girls Basketball	(1,440)	651	3,168	(3,957)
Volleyball	(874)	1,252	1,995	(1,617)
Golf	1,097	526	1,189	434
Softball	(2,497)	443	2,077	(4,131)
Girls Track	(589)	728	1,239	(1,100)
General Music	9,333	7,007	9,650	6,690
Music Store	(94)	2,450	2,133	223
Media Center	3,942	2,454	3,847	2,549
Library Club	47	64	60	51
Hawk Club	300	300	300	300
Art Club	(456)	1,051	1,051	(456)
Yearbook	(1,661)	4,947	5,373	(2,087)
Cheerleaders	(234)	3,226	3,288	(296)
FFA	(719)	5,469	5,240	(490)
Student Council	11,464	9,987	7,642	13,809
Spanish Club	338	0	0	338
Thespians	2,917	2,037	2,480	2,474
German Club	131	0	0	131
Foreign Language Travel	301	2,782	2,123	960
Class of 2007	0	79	150	(71)
Class of 2005	1,051	412	961	502
Class of 2006	395	5,865	5,274	986
Class of 2004	459	0	0	459
Interest	0	112	0	112
Petty Cash	110	0	0	110
Embroidery Fund	115	0	0	115
General Activity	329	5,768	5,519	578
D.A.R.E. program	0	0	173	(173)
Graduation Fees	(1,379)	680	1,240	(1,939)
Elementary Store	542	3,743	4,528	(243)
Trophy Case	642	0	0	642
Stage Curtain Fundraiser	1,034	0	602	432
Concession Stand	(76)	76	0	0
Bleachers	8,018	7,516	15,534	0
Total	$ 31,717	93,653	113,117	12,253

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	$ 1,094,923	1,119,831	1,025,490	863,295
Tuition	187,982	147,485	152,751	142,376
Other	129,851	148,565	32,134	37,263
State sources	1,470,942	1,418,215	1,460,046	1,483,893
Federal sources	115,315	105,804	79,153	73,888
Total	$ 2,999,013	2,939,900	2,749,574	2,600,715
Expenditures:				
Current:				
Instruction:				
Regular instruction	$ 1,411,343	1,228,494	1,212,473	1,189,882
Special instruction	479,930	472,931	427,430	369,634
Other instruction	298,307	242,616	128,408	120,017
Support services:				
Student services	81,796	91,044	87,043	89,257
Instructional staff services	65,819	58,820	62,376	56,823
Adminstration services	318,940	298,996	252,073	256,353
Operation and maintenance of plant services	159,688	147,541	117,782	110,130
Transportation services	177,090	196,699	134,521	163,509
Central services	0	795	880	299
Non-instructional programs	17,847	6,359	3,645	29
Other expenditures:				
Facilities acquisitions	286,517	61,310	0	0
AEA flow-through	97,695	99,633	107,000	106,788
Total	$ 3,394,972	2,905,238	2,533,631	2,462,721

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on 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 the
Andrew 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 Andrew 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 tale of contents, and have issued our report thereon dated September 14, 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 Andrew 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 condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Andrew 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 that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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 Andrew School District and other parties to whom Andrew School District may report, including federal awarding agencies and pass-through entities. 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 Andrew Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Nolte, Cornman & Johnson P.C.

NOLTE, CORNMAN & JOHNSON, P.C.

September 14, 2005

ANDREW COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

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

INSTANCES OF NON-COMPLIANCE:

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

I-B-05 Checks Outstanding - We noted during our audit that the District had checks included in the General Fund bank reconciliation which have been outstanding for over a year.

Recommendation – The District should research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response – We will research these outstanding checks and determine the appropriate measures for removal.

Conclusion – Response accepted.

I-C-05 Authorized Check Signatures - According to District policy, the Vice President of the Board can sign checks in the absence of the Board President. We noted during our audit that all checks written from the Physical Plant and Equipment Levy Fund only have the signature of the Board Secretary. It was also noted that some checks from the Capital Projects Fund only have one signature.

Recommendation – The Board President or designated individual, and the Board Secretary are required to sign all checks written by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response – We will implement procedures so the Board President and the Board Secretary's signatures are on all checks.

Conclusion – Response accepted.

I-D-05 Student Activity Fund – During our audit, we noted the Student Activity Fund included an interest account and it appeared the interest was not allocated. We also noted the receipts and expenditures made from the Media Center account appear to be more appropriately accounted for in the General Fund. There is also a Petty Cash account in the Activity Fund.

Recommendation – The interest accumulated in the Student Activity Fund should be allocated at least once during the fiscal year to the various accounts with in the Activity Fund. The Media Center account should be closed out and the necessary transfers made to the General Fund. The Activity Fund can have petty cash; however, the petty cash is a balance sheet asset and would not be a student organization.

Response – We will close out this account and necessary transfers will be made to the General Fund.

Conclusion – Response accepted.

ANDREW COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

II-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005 did not exceed amounts budgeted.

II-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted. .

II-E-05 Business Transactions – No business transactions between the District and District officials were noted.

II-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-I-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-K-05 Deficit Balances – We noted during our audit that several student activity accounts had deficit balances at June 30, 2005. The General Fund also had a deficit balance of $21,792.

Recommendation – The District should continue to investigate alternatives to eliminate deficits in order to return these accounts to a sound financial condition.

Response – We will continue to monitor these accounts and investigate alternatives to eliminate these deficits.

Conclusion – Response accepted.