

ANITA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14-15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Net Assets	H	21
Statement of Cash Flows	I	22
Fiduciary Fund Financial Statements:		
Statement of Assets and Liabilities	J	23
Notes to Financial Statements		24-31
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		32-33
Budgetary Comparison Schedule - Budget to GAAP Reconciliation		34
Notes to Required Supplementary Information - Budgetary Reporting		35
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	37
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	38
Schedule of Changes in Fiduciary Assets and Liabilities Agency Fund	4	39
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	5	40
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		41-42
Schedule of Findings		43-45

Anita Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Dr. Gerald Wessels	President	2006
Phyllis Nichols	Vice-President	2006
Judy Marnin	Board Member	2005
Randall Rabe	Board Member	2004
Jeff Gregersen	Board Member	2004

Board of Education
(After September 2004 Election)

Dr. Gerald Wessels	President	2006
Phyllis Nichols	Vice President	2006
Judy Marnin	Board Member	2005
Randall Rabe	Board Member	2007
Jeff Gregersen	Board Member	2007

School Officials

Dan Crozier	Superintendent	2005
Glennda Nelsen	District Secretary and District Treasurer	2005
Sue Seitz	Attorney	2005

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

To the Board of Education of the
Anita 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 the Anita Community School District, Anita, 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 Anita 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 November 22, 2005 on our consideration of Anita 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 these reports are 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 12 and 32 through 35 are not required parts of the basic financial statements, but are supplementary

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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 Anita 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 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

November 22, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Anita 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 \$2,711,613 in fiscal 2004 to \$2,773,813 in fiscal 2005, while General Fund expenditures increased from \$2,670,902 in fiscal 2004 to \$2,782,798 in fiscal 2005. This resulted in a decrease in the District's General Fund balance from \$678,662 in fiscal 2004 to a balance of \$670,799 in fiscal 2005, a 1.16% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state sources in fiscal 2005. The increase in expenditures was due primarily to an increase in instruction and support services functional areas.

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 Anita 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 Anita 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 Anita 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.

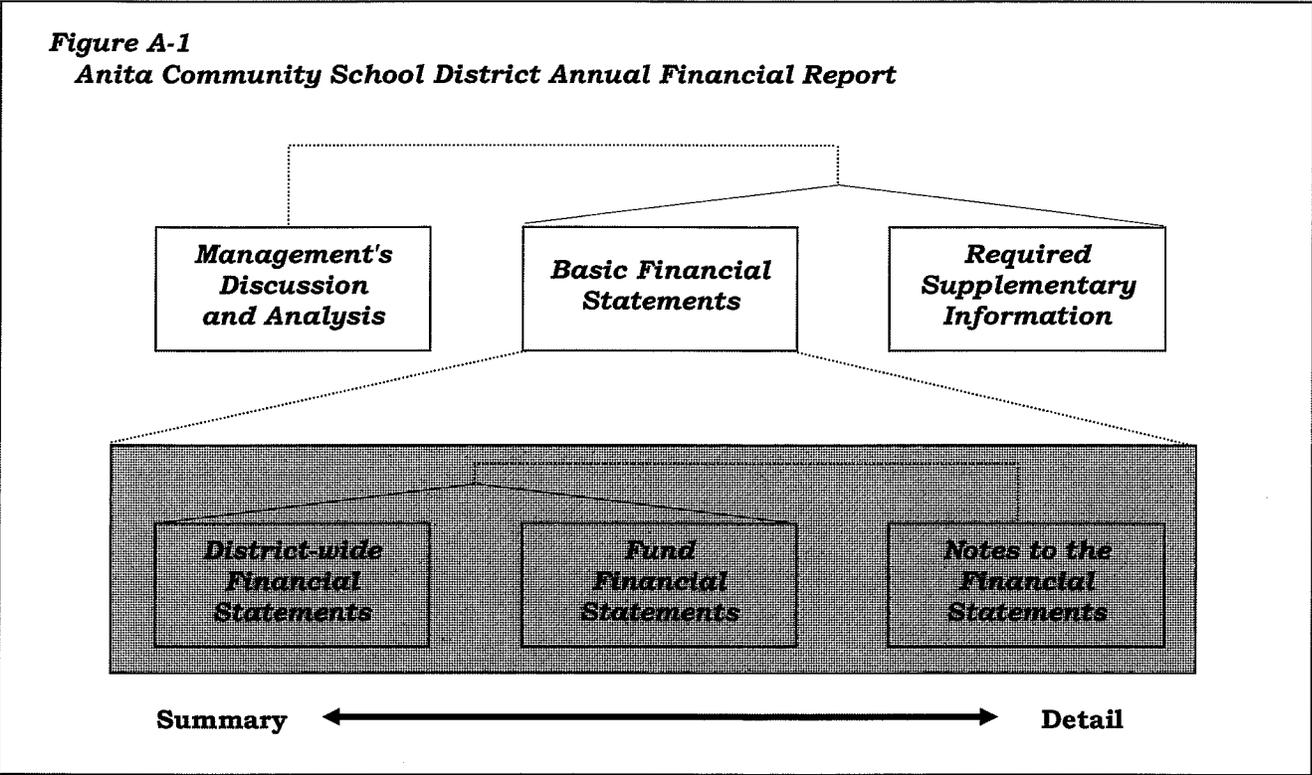


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	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, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due 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 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 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 required financial statements for the proprietary funds include a statement of revenues, expenses and changes in 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 the Agency Fund.

Agency Funds – These are funds through which the District administers and accounts for an alternative school program.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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	\$ 1,737,620	1,702,418	20,363	20,711	1,757,983	1,723,129	2.02%
Capital assets	1,534,779	1,564,883	10,186	9,172	1,544,965	1,574,055	-1.85%
Total assets	<u>3,272,399</u>	<u>3,267,301</u>	<u>30,549</u>	<u>29,883</u>	<u>3,302,948</u>	<u>3,297,184</u>	<u>0.17%</u>
Other liabilities	946,105	932,629	833	784	946,938	933,413	1.45%
Total liabilities	<u>946,105</u>	<u>932,629</u>	<u>833</u>	<u>784</u>	<u>946,938</u>	<u>933,413</u>	<u>1.45%</u>
Net assets:							
Invested in capital assets, net of related debt	1,534,779	1,564,883	10,186	9,172	1,544,965	1,574,055	-1.85%
Restricted	183,595	117,290	0	0	183,595	117,290	56.53%
Unrestricted	607,920	652,499	19,530	19,927	627,450	672,426	-6.69%
Total net assets	<u>\$ 2,326,294</u>	<u>2,334,672</u>	<u>29,716</u>	<u>29,099</u>	<u>2,356,010</u>	<u>2,363,771</u>	<u>-0.33%</u>

The District's combined net assets decreased by .33%, or \$7,761, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents 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 \$66,305, or 56.53% 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 \$44,976, or 6.69%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005 compared to June 30, 2004.

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	\$ 497,409	492,270	65,109	57,905	562,518	550,175	2.24%
Operating grants and contributions and restricted interest	391,249	451,406	58,036	56,282	449,285	507,688	-11.50%
General revenues:							
Property tax	994,793	1,019,143	0	0	994,793	1,019,143	-2.39%
Local option sales and services tax	76,465	0	0	0	76,465	0	100.00%
Unrestricted state grants	1,188,805	1,017,903	0	0	1,188,805	1,017,903	16.79%
Other	14,532	4,498	36	41	14,568	4,539	220.95%
Total revenues	3,163,253	2,985,220	123,181	114,228	3,286,434	3,099,448	6.03%
Program expenses:							
Governmental activities:							
Instructional	2,129,796	2,062,111	0	0	2,129,796	2,062,111	3.28%
Support services	868,592	782,045	0	0	868,592	782,045	11.07%
Non-instructional programs	9,951	3,425	122,564	121,634	132,515	125,059	5.96%
Other expenses	163,292	145,260	0	0	163,292	145,260	12.41%
Total expenses	3,171,631	2,992,841	122,564	121,634	3,294,195	3,114,475	5.77%
Changes in net assets	(8,378)	(7,621)	617	(7,406)	(7,761)	(15,027)	-48.35%
Beginning net assets	2,334,672	2,342,293	29,099	36,505	2,363,771	2,378,798	-0.63%
Ending net assets	\$ 2,326,294	2,334,672	29,716	29,099	2,356,010	2,363,771	-0.33%

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 91% of the total expenses.

Changes in revenues will be a result of changes in student participation, whether in the regular, special or extracurricular programs. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding will ever be fully realized with current law and funding structure as set by the legislature.

The most significant fluctuation in expenditure levels will be caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements. With a declining enrollment comes lesser ability to fund various programs required by the state and constant evaluation of staffing needs becomes a priority. Even with certain staff reductions there may still be an increase in expenditures due to the salary and benefit requirements.

The District makes a continual effort to be a good steward of public funds and maintains a philosophy of providing the best education possible, exploring every avenue available to fund the programs, while making certain to keep watch for services that could be merged with other programs.

Governmental Activities

Revenues for governmental activities were \$3,163,253 and expenses were \$3,171,631. 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	\$ 2,129,796	1,330,357
Support services	868,592	868,592
Non-instructional programs	9,951	9,951
Other expenses	163,292	74,073
Totals	<u>\$ 3,171,631</u>	<u>2,282,973</u>

- The cost financed by users of the District's programs was \$497,409.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$391,249.
- The net cost of governmental activities was financed with \$994,793 in property tax, \$76,465 in local option sales and services tax, \$1,188,805 in state foundation aid and \$13,410 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$123,181 and expenses were \$122,564. 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 Anita 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 \$729,078, above last year's ending fund balance of \$695,544. The primary reason for the increase in combined fund balance in fiscal 2005 is due to the local option sales and services tax monies.

Governmental Fund Highlights

- The District's declining General Fund financial position is the product of many factors:
 - The increase in revenues during fiscal year 2005 was more than offset by the increase in expenditures, causing the General Fund balance to decrease.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$29,099 at June 30, 2004 to \$29,716 at June 30, 2005, representing an increase of 2%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$82,523 more than budgeted revenues, a variance of 2.58%. The most significant variance resulted from the District receiving less in intermediate sources than originally anticipated.

Total expenditures were 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$1,544,965, 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 decrease of 1.88% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$159,251.

The original cost of the District's capital assets was \$3,695,079. Governmental funds account for \$3,650,886 with the remainder of \$44,193 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$1,337,535 at June 30, 2005, compared to \$1,367,418 reported at June 30, 2004.

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	\$ 6,643	6,643	0	0	6,643	6,643	0.00%
Buildings	1,337,535	1,367,418	0	0	1,337,535	1,367,418	-2.23%
Land improvements	36,416	33,043	0	0	36,416	33,043	9.26%
Machinery and equipment	154,185	157,779	10,186	9,172	164,371	166,951	-1.57%
Total	\$ 1,534,779	1,564,883	10,186	9,172	1,544,965	1,574,055	-1.88%

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:

- Increased expenditures have been caused by the increased price of gasoline and heating costs. An increase in the security of the high school building has also caused expenditures to increase.
- The District added a new outdoor restroom facility along with other football field improvements.
- The District had two long-term teachers retire effective May 31, 2005.
- Inflation and the cost of living increases continue to effect the residents of the District.
- Anita has constructed a new community building on the south side of the school.

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 Glennnda Nelsen, District Secretary, Anita Community School District, 1000 Victory Park Road, Anita, Iowa, 50020.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 675,723	11,641	687,364
Receivables:			
Property tax:			
Delinquent	19,623	0	19,623
Succeeding year	945,906	0	945,906
Income surtax	62,437	0	62,437
Accounts	2,094	0	2,094
Due from other governments	31,837	0	31,837
Inventories	0	8,722	8,722
Capital assets, net of accumulated depreciation (Note 4)	1,534,779	10,186	1,544,965
TOTAL ASSETS	3,272,399	30,549	3,302,948
LIABILITIES			
Accounts payable	199	0	199
Deferred revenue:			
Succeeding year property tax	945,906	0	945,906
Other	0	833	833
TOTAL LIABILITIES	946,105	833	946,938
NET ASSETS			
Investment in capital assets, net of related debt	1,534,779	10,186	1,544,965
Restricted for:			
Early intervention	15,427	0	15,427
Talented and gifted	8,928	0	8,928
Salary improvement program	814	0	814
Phase III	2,170	0	2,170
Capital projects	70,216	0	70,216
Management levy	34,389	0	34,389
Physical equipment reserve levy	3,968	0	3,968
Other special revenue purposes	47,683	0	47,683
Unrestricted	607,920	19,530	627,450
TOTAL NET ASSETS	\$ 2,326,294	29,716	2,356,010

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 1,249,233	487,936	294,764
Special instruction	321,214	9,473	7,266
Other instruction	559,349	0	0
	<u>2,129,796</u>	<u>497,409</u>	<u>302,030</u>
Support services:			
Student services	53,601	0	0
Instructional staff services	142,061	0	0
Administration services	290,274	0	0
Operation and maintenance of plant services	234,690	0	0
Transportation services	147,966	0	0
	<u>868,592</u>	<u>0</u>	<u>0</u>
Non-instructional programs:			
Community service operations	9,951	0	0
Other expenditures:			
Facilities and acquisitions	18,628	0	0
Long-term debt interest	0	0	0
AEA flowthrough	89,219	0	89,219
Depreciation (unallocated) *	55,445	0	0
	<u>163,292</u>	<u>0</u>	<u>89,219</u>
Total governmental activities	3,171,631	497,409	391,249
Business-Type activities:			
Non-instructional programs:			
Nutrition services	122,564	65,109	58,036
Total business-type activities	<u>122,564</u>	<u>65,109</u>	<u>58,036</u>
Total	<u>\$ 3,294,195</u>	<u>562,518</u>	<u>449,285</u>

General Revenues:

Local tax for:

- General purposes
- Capital outlay
- Local option sales and services tax

Unrestricted state grants
Unrestricted investment earnings
Gain on sale of equipment

Total general revenues

Changes in net assets

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
(466,533)	0	(466,533)
(304,475)	0	(304,475)
(559,349)	0	(559,349)
<u>(1,330,357)</u>	<u>0</u>	<u>(1,330,357)</u>
(53,601)	0	(53,601)
(142,061)	0	(142,061)
(290,274)	0	(290,274)
(234,690)	0	(234,690)
(147,966)	0	(147,966)
<u>(868,592)</u>	<u>0</u>	<u>(868,592)</u>
(9,951)	0	(9,951)
(18,628)	0	(18,628)
0	0	0
0	0	0
(55,445)	0	(55,445)
<u>(74,073)</u>	<u>0</u>	<u>(74,073)</u>
(2,282,973)	0	(2,282,973)
0	581	581
0	581	581
<u>(2,282,973)</u>	<u>581</u>	<u>(2,282,392)</u>
\$ 922,646	0	922,646
72,147	0	72,147
76,465	0	76,465
1,188,805	0	1,188,805
13,410	36	13,446
1,122	0	1,122
<u>2,274,595</u>	<u>36</u>	<u>2,274,631</u>
(8,378)	617	(7,761)
<u>2,334,672</u>	<u>29,099</u>	<u>2,363,771</u>
\$ <u>2,326,294</u>	<u>29,716</u>	<u>2,356,010</u>

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

	General	Physical Plant And Equipment Levy	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments				
Other	\$ 513,136	20,688	141,899	675,723
Receivables:				
Property tax:				
Delinquent	17,026	1,335	1,262	19,623
Succeeding year	789,918	65,588	90,400	945,906
Income surtax	62,437	0	0	62,437
Interfund	120,000	0	0	120,000
Accounts	2,094	0	0	2,094
Due from other governments	18,742	0	13,095	31,837
TOTAL ASSETS	\$ 1,523,353	87,611	246,656	1,857,620
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 0	120,000	0	120,000
Accounts payable	199	0	0	199
Deferred revenue:				
Succeeding year property tax	789,918	65,588	90,400	945,906
Income surtax	62,437	0	0	62,437
Total liabilities	852,554	185,588	90,400	1,128,542
Fund balances:				
Reserved for:				
Early intervention	15,427	0	0	15,427
Talented and gifted	8,928	0	0	8,928
Salary improvement program	814	0	0	814
Phase III	2,170	0	0	2,170
Unreserved:				
General	643,460	0	0	643,460
Management	0	0	34,389	34,389
Capital Projects	0	0	70,216	70,216
Physical equipment reserve levy	0	0	3,968	3,968
Physical plant and equipment levy	0	(97,977)	0	(97,977)
Other special revenue purposes	0	0	47,683	47,683
Total fund balances	670,799	(97,977)	156,256	729,078
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,523,353	87,611	246,656	1,857,620

SEE NOTES TO FINANCIAL STATEMENTS.

ANITA 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 16) \$ 729,078

*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. 1,534,779

Accounts receivable income surtax, are not yet available
to finance expenditures of the current period. 62,437

Net assets of governmental activites (page 13) \$ 2,326,294

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 882,918	63,565	136,591	1,083,074
Tuition	234,501	0	0	234,501
Other	68,114	135	199,733	267,982
Intermediate sources	8,336	0	0	8,336
State sources	1,413,354	56	46	1,413,456
Federal sources	166,590	0	0	166,590
Total revenues	<u>2,773,813</u>	<u>63,756</u>	<u>336,370</u>	<u>3,173,939</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	1,239,419	0	11,385	1,250,804
Special instruction	319,175	0	1,839	321,014
Other instruction	357,011	0	207,965	564,976
	<u>1,915,605</u>	<u>0</u>	<u>221,189</u>	<u>2,136,794</u>
Support services:				
Student services	53,108	0	493	53,601
Instructional staff services	95,980	0	183	96,163
Administration services	276,170	0	11,220	287,390
Operation and maintenance of plant services	225,701	0	13,463	239,164
Transportation services	117,599	55,962	8,121	181,682
	<u>768,558</u>	<u>55,962</u>	<u>33,480</u>	<u>858,000</u>
Non-instructional programs	9,416	0	535	9,951
Other expenditures:				
Facilities acquisitions	0	35,934	11,629	47,563
AEA flowthrough	89,219	0	0	89,219
	<u>89,219</u>	<u>35,934</u>	<u>11,629</u>	<u>136,782</u>
Total expenditures	<u>2,782,798</u>	<u>91,896</u>	<u>266,833</u>	<u>3,141,527</u>
Excess (deficiency) of revenues over (under) expenditures	(8,985)	(28,140)	69,537	32,412
Other financing sources:				
Sale of equipment	1,122	0	0	1,122
Total other financing sources	<u>1,122</u>	<u>0</u>	<u>0</u>	<u>1,122</u>
Net change in fund balances	(7,863)	(28,140)	69,537	33,534
Fund balance beginning of year	678,662	(69,837)	86,719	695,544
Fund balance end of year	<u>\$ 670,799</u>	<u>(97,977)</u>	<u>156,256</u>	<u>729,078</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ANITA 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 18) \$ 33,534

***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	\$ 80,890	
Depreciation expense	<u>(110,994)</u>	(30,104)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (11,808)

Changes in net assets of governmental activities (page 15) \$ (8,378)

SEE NOTES TO FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

	Business-Type Activities Enterprise: Fund
	School Nutrition
ASSETS	
Cash and pooled investments	\$ 11,641
Inventories	8,722
Capital assets, net of accumulated depreciation(Note 4)	10,186
TOTAL ASSETS	30,549
LIABILITIES	
Deferred revenue:	
Other	833
TOTAL LIABILITIES	833
NET ASSETS	
Investment in capital assets, net of related debt	10,186
Unrestricted	19,530
TOTAL NET ASSETS	\$ 29,716

SEE NOTES TO FINANCIAL STATEMENTS.

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

		<u>Business-Type</u> <u>Activites:</u> <u>Enterprise</u> <u>Fund</u> <u>School</u> <u>Nutrition</u>
OPERATING REVENUE:		
Local sources:		
Charges for services	\$	65,109
TOTAL OPERATING REVENUES		<u>65,109</u>
OPERATING EXPENSES:		
Non-instructional programs:		
Salaries		48,927
Benefits		6,576
Services		1,508
Supplies		64,081
Depreciation		1,472
TOTAL OPERATING EXPENSES		<u>122,564</u>
OPERATING LOSS		<u>(57,455)</u>
NON-OPERATING REVENUES:		
State sources		1,495
Federal sources		56,541
Interest on investments		36
TOTAL NON-OPERATING REVENUES		<u>58,072</u>
Change in net assets		617
Net assets beginning of year		<u>29,099</u>
Net assets end of year	\$	<u><u>29,716</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business-Type Activites: Enterprise Fund School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 65,212
Cash payments to employees for services	(55,503)
Cash payments to suppliers for goods or services	(56,667)
Net cash used in operating activities	<u>(46,958)</u>
Cash flows from non-capital financing activities:	
State grants received	1,495
Federal grants received	48,663
Net cash provided by non-capital financing activities	<u>50,158</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(2,486)
Net cash used in capital and related financing activities	<u>(2,486)</u>
Cash flows from investing activities:	
Interest on investments	36
Net cash provided by investing activities	<u>36</u>
Net increase in cash and cash equivalents	750
Cash and cash equivalents at beginning of year	<u>10,891</u>
Cash and cash equivalents at end of year	<u>\$ 11,641</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (57,455)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	7,878
Depreciation	1,472
Decrease in inventories	1,098
Decrease in accounts payable	(54)
Increase in deferred revenue	103
Net cash used in operating activities	<u>\$ (46,958)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 11,641</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at \$7,878.

SEE NOTES TO FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2005

	Agency
Assets	
Cash and pooled investments	\$ 13,441
Liabilities	
Due to other groups	\$ 13,441

SEE NOTES TO FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(1) **Summary of Significant Accounting Policies**

The Anita 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. The geographic area served includes the city of Anita, Iowa, and the predominate agricultural territory in Cass, Adair and Audubon 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, Anita 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 Anita 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 Cass, Adair and Audubon Counties 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 Physical Plant & Equipment Levy (PPEL) Fund is used to account for machinery and equipment expenditures as well as the improvements to capital facilities.

The District's proprietary funds is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund is The Agency Fund.

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

C. Measurement Focus and Basis of Accounting

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

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

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, machinery, 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 one reporting year.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Property, machinery 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
Land improvements	20 years
Machinery and equipment	5-20 years

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

(2) **Cash and Pooled Investments**

The District's deposits 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 and the Treasurer of the State of Iowa; 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 certificates of deposits as follows:

	<u>Amortized Cost</u>
Certificates of deposit	<u>\$ 633,398</u>

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

(3) **Due From and Due to other Funds**

The detail of interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	PPEL	<u>\$ 120,000</u>

(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	\$ 6,643	0	0	6,643
Total capital assets not being depreciated	<u>6,643</u>	<u>0</u>	<u>0</u>	<u>6,643</u>
Capital assets being depreciated:				
Buildings	2,667,042	23,444	0	2,690,486
Land improvements	36,867	5,491	0	42,358
Machinery and equipment	859,444	98,740	46,785	911,399
Total capital assets being depreciated	<u>3,563,353</u>	<u>127,675</u>	<u>46,785</u>	<u>3,644,243</u>
Less accumulated depreciation for:				
Buildings	1,299,624	53,327	0	1,352,951
Land improvements	3,824	2,118	0	5,942
Machinery and equipment	701,665	102,334	46,785	757,214
Total accumulated depreciation	<u>2,005,113</u>	<u>157,779</u>	<u>46,785</u>	<u>2,116,107</u>
Total capital assets being depreciated, net	<u>1,558,240</u>	<u>(30,104)</u>	<u>0</u>	<u>1,528,136</u>
Governmental activities capital assets, net	<u>\$ 1,564,883</u>	<u>(30,104)</u>	<u>0</u>	<u>1,534,779</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 42,307	2,486	600	44,193
Less accumulated depreciation	33,135	1,472	600	34,007
Business-type activities capital assets, net	<u>\$ 9,172</u>	<u>1,014</u>	<u>0</u>	<u>10,186</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 12,292
Special	200
Other	3,173
Support services:	
Instructional staff	45,898
Administration	5,196
Operation and maintenance	2,005
Transportation	33,570
	<u>102,334</u>
Unallocated depreciation	<u>55,445</u>
Total governmental activities depreciation expense	<u>\$ 157,779</u>
Business-type activities:	
Food services	\$ 1,472
Total business-type activities depreciation expense	<u>\$ 1,472</u>

(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 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 contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$82,444, \$84,254, and \$80,098 respectively, equal to the required contributions for each year.

(6) Risk Management

Anita 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 \$89,219 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.

REQUIRED SUPPLEMENTARY INFORMATION

ANITA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON 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	\$ 1,576,442	65,248
Intermediate sources	8,336	0
State sources	1,414,270	1,495
Federal sources	164,766	56,541
Total receipts	<u>3,163,814</u>	<u>123,284</u>
Disbursements:		
Instruction	2,142,562	0
Support services	866,173	0
Non-instructional programs	9,951	122,534
Other expenditures	130,302	0
Total disbursements	<u>3,148,988</u>	<u>122,534</u>
Excess(deficiency) of receipts over(under) disbursements	14,826	750
Other financing sources, net	<u>1,122</u>	<u>0</u>
Excess(deficiency) of receipts over(under) disbursements	15,948	750
Balance beginning of year	<u>659,775</u>	<u>10,891</u>
Balance end of year	<u>\$ 675,723</u>	<u>11,641</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
1,641,690	1,387,365	1,387,365	254,325
8,336	112,500	112,500	(104,164)
1,415,765	1,459,710	1,459,710	(43,945)
221,307	245,000	245,000	(23,693)
<u>3,287,098</u>	<u>3,204,575</u>	<u>3,204,575</u>	<u>82,523</u>
2,142,562	2,550,551	2,550,551	407,989
866,173	939,900	939,900	73,727
132,485	261,000	261,000	128,515
130,302	273,625	273,625	143,323
<u>3,271,522</u>	<u>4,025,076</u>	<u>4,025,076</u>	<u>753,554</u>
15,576	(820,501)	(820,501)	836,077
1,122	221,000	221,000	(219,878)
16,698	(599,501)	(599,501)	616,199
670,666	655,517	655,517	15,149
<u>687,364</u>	<u>56,016</u>	<u>56,016</u>	<u>631,348</u>

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

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 3,163,814	10,125	3,173,939
Expenditures	3,148,988	(7,461)	3,141,527
Net	14,826	17,586	32,412
Other financing sources, net	1,122	0	1,122
Beginning fund balances	659,775	35,769	695,544
Ending fund balances	\$ 675,723	53,355	729,078

	Proprietary Fund		
	Enterprise		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 123,284	(103)	123,181
Expenditures	122,534	30	122,564
Net	750	(133)	617
Beginning fund balances	10,891	18,208	29,099
Ending fund balances	\$ 11,641	18,075	29,716

ANITA 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds					Total
	Manage- ment	Student Activity	Physical Equipment Reserve Levy	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 33,307	47,683	3,788	84,778	57,121	141,899
Receivables:						
Property tax:						
Current year delinquent	1,082	0	180	1,262	0	1,262
Succeeding year	81,546	0	8,854	90,400	0	90,400
Due from other governments	0	0	0	0	13,095	13,095
TOTAL ASSETS	\$ 115,935	47,683	12,822	176,440	70,216	246,656
LIABILITIES AND FUND EQUITY						
Liabilities:						
Deferred revenue:						
Succeeding year property tax	81,546	0	8,854	90,400	0	90,400
TOTAL LIABILITIES	81,546	0	8,854	90,400	0	90,400
Fund equity:						
Fund balances:						
Unreserved:						
Undesignated	34,389	47,683	3,968	86,040	70,216	156,256
Total fund balances	34,389	47,683	3,968	86,040	70,216	156,256
TOTAL LIABILITIES AND FUND EQUITY	\$ 115,935	47,683	12,822	176,440	70,216	246,656

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds					Total
	Manage- ment	Student Activity	Physical Equipment Reserve Levy	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 51,536	0	8,590	60,126	76,465	136,591
Other	58	199,435	10	199,503	230	199,733
State sources	46	0	0	46	0	46
TOTAL REVENUES	51,640	199,435	8,600	259,675	76,695	336,370
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	11,385	0	0	11,385	0	11,385
Special instruction	1,839	0	0	1,839	0	1,839
Other instruction	846	207,119	0	207,965	0	207,965
Support services:						
Student services	493	0	0	493	0	493
Instructional staff services	183	0	0	183	0	183
Administration services	11,220	0	0	11,220	0	11,220
Operation and maintenance of plant services	13,463	0	0	13,463	0	13,463
Student transportation	8,121	0	0	8,121	0	8,121
Non-instructional programs						
Community service operations	0	0	535	535	0	535
Other expenditures:						
Facilities acquisitions	0	0	5,150	5,150	6,479	11,629
TOTAL EXPENDITURES	47,550	207,119	5,685	260,354	6,479	266,833
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,090	(7,684)	2,915	(679)	70,216	69,537
FUND BALANCE BEGINNING OF YEAR	30,299	55,367	1,053	86,719	0	86,719
FUND BALANCE END OF YEAR	\$ 34,389	47,683	3,968	86,040	70,216	156,256

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletics	\$ 7,398	44,623	46,798	5,223
Athletic Students	387	7,192	6,699	880
Cheerleaders	3,080	5,607	8,598	89
Industrial Arts	1,746	3,739	3,196	2,289
NFL/Q & S	2,756	4,036	4,744	2,048
FFA	1,565	20,940	20,720	1,785
Graduating Classes	12,131	67,654	64,827	14,958
Yearbook	5,020	7,175	7,123	5,072
Interest/Inactive Accounts	2,827	874	3,401	300
Juice/Pop Account	4,684	13,147	16,203	1,628
NHS/Student Council	702	722	1,022	402
Music	84	344	344	84
Academic Clubs	887	2,919	1,818	1,988
Track Club Concessions	27	0	0	27
Band	0	1,940	1,940	0
Community/School Theater	1,152	3,506	4,658	0
Service Learning	104	0	0	104
Elementary Accounts	10,817	15,017	15,028	10,806
Total	\$ 55,367	199,435	207,119	47,683

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANITA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2005

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 10,434	19,709	16,702	13,441
Liabilities				
Due to other groups	\$ 10,434	19,709	16,702	13,441

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANITA 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	\$ 1,083,074	1,019,143	923,642	923,225
Tuition	234,501	228,444	56,239	62,503
Other	267,982	259,823	220,142	182,346
Intermediate sources	8,336	8,501	11,424	44,594
State sources	1,413,456	1,243,062	1,364,975	1,363,533
Federal sources	166,590	226,247	176,280	127,270
Total	\$ 3,173,939	2,985,220	2,752,702	2,703,471
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,250,804	1,332,693	1,165,088	1,249,294
Special instruction	321,014	360,844	316,745	345,714
Other instruction	564,976	358,266	340,732	304,526
Support services:				
Student services	53,601	41,595	22,290	22,191
Instructional staff services	96,163	59,972	55,609	55,230
Administration services	287,390	281,365	259,333	261,651
Operation and maintenance of plant services	239,164	214,094	198,537	186,133
Transportation services	181,682	108,074	168,295	96,646
Central services	0	954	278	363
Non-instructional programs	9,951	3,425	8,384	7,250
Other expenditures:				
Facilities acquisitions	47,563	63,857	68,678	325,389
AEA flow-through	89,219	90,188	98,455	98,577
Total	\$ 3,141,527	2,915,327	2,702,424	2,952,964

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
Anita 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 Anita 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 November 22, 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 Anita Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide 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 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 item I-A-05 is a material weakness.

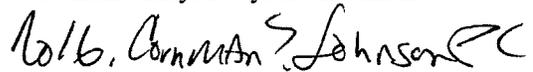
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anita 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 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 Anita Community School District and other parties to whom Anita Community 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 Anita 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.

November 22, 2005

ANITA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

I-B-05 Authorized Check Signatures - Checks written from the Elementary Activity bank account only have one signature. Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks written by the District. The Board President can designate an individual other than himself/herself, however the Board Secretary may not designate an alternative authorized signer.

Recommendation - The District should require all checks to be signed by both the Board Secretary and the Board President or his/her designated individual.

Response - We are reviewing the matter and will implement a change to our current procedures as soon as a method is determined.

Conclusion - Response accepted.

ANITA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 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 the certified budget amounts in the functional areas.
- 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 - Business transactions between the District and District Officials or employees were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dianne Denney, Custodian Spouse owns crane service	Purchased Services	\$1,500

In accordance with the Attorney General's opinion dated November 9, 1976, the above transaction with the custodian does not appear to represent a conflict of interest.

- 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. We noted no significant deficiencies in the amounts reported.
- II-K-05 Financial Condition - The District had a deficit undesignated fund balance of \$97,977 in the Physical Plant and Equipment Levy (PEEL) Fund.

Recommendation - The District should monitor this fund and investigate alternatives to eliminate the deficit.

Response - We will monitor this fund and investigate any available options to eliminate this deficit.

Conclusion - Response accepted.