

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

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Gary E. Horton CPA

PO Box 384

Clarion, IA 50525-0384

(515)532-6681 Phone

(515) 532-2405 Fax

BETCO@mchsi.com E-mail

Independent Auditor's Report

To the Board of Education of
Anthon-Oto 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 Anthon-Oto Community School District, Anthon, 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 Anthon-Oto Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 22, 2005, on our consideration of Anthon-Oto Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, , contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Anthon-Oto Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 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.

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

September 22, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Anthon-Oto 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 \$3,009,478 in fiscal 2004 to \$3,096,627 in fiscal 2005, while General Fund expenditures increased from \$2,905,821 in fiscal 2004 to \$3,069,372 in fiscal 2005. The District's General Fund balance increased from \$614,955 in fiscal 2004 to \$643,202 in fiscal 2005, a 5% increase.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. The increase in general fund balance was due to the administration's effort to cut expenses to match available resources.

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 the Anthon-Oto 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 the Anthon-Oto 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 the Anthon-Oto Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

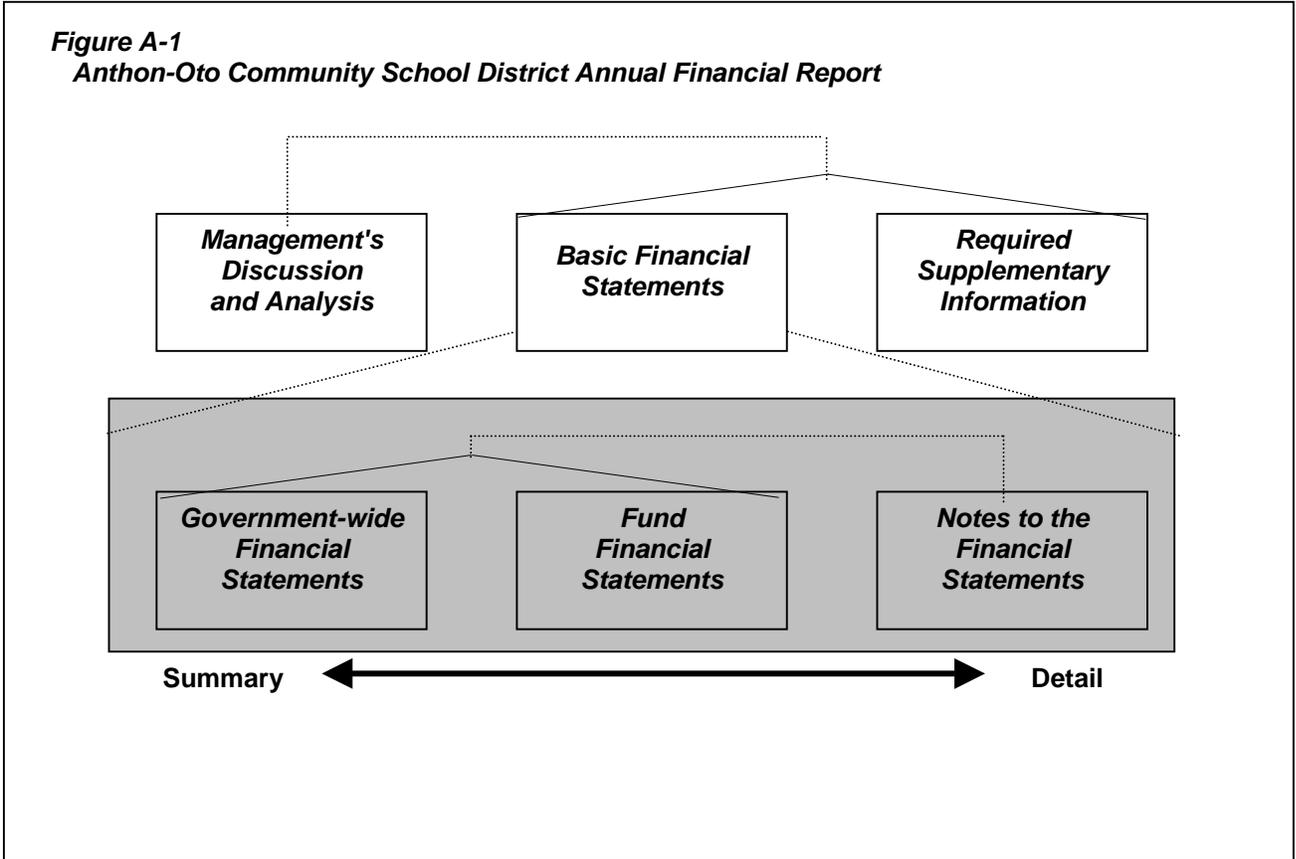


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<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, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has 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, Debt Service Fund and Capital Projects Fund.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Current and other assets	2,883,904	2,653,650	47,049	55,685	2,930,953	2,709,335	8%
Capital assets	882,269	960,478	15,771	10,513	898,040	970,991	-8%
Total assets	3,766,173	3,614,128	62,820	66,198	3,828,993	3,680,326	4%
Long-term liabilities	1,556	3,980	-	-	1,556	3,980	-61%
Other liabilities	1,294,055	1,294,372	1,060	960	1,295,115	1,295,332	0%
Total liabilities	1,295,611	1,298,352	1,060	960	1,296,671	1,299,312	0%
Net Assets:							
Invested in capital assets, net of related debt	882,269	960,478	15,771	10,513	898,040	970,991	-8%
Restricted	869,746	684,844	-	-	869,746	684,844	27%
Unrestricted	718,547	670,454	45,989	54,725	764,536	725,179	5%
TOTAL NET ASSETS	2,470,562	2,315,776	61,760	65,238	2,532,322	2,381,014	6%

The District's combined net assets increased by 6%, or approximately \$151,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$185,000 or 27% 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 – increased approximately \$39,000, or 6%.

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

Figure A-4

	Change in Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	801,675	715,677	55,759	54,367	857,434	770,044	11%
Operating grants & contributions	323,929	313,828	78,481	76,640	402,410	390,468	3%
Capital grants & contributions	-	7,800	-	-	-	7,800	-100%
General Revenues:							0%
Property taxes	941,543	1,030,258	-	-	941,543	1,030,258	-9%
Income Surtax	82,087	104,382	-	-	82,087	104,382	-21%
Local option sales tax	193,230	205,540	-	-	193,230	205,540	-6%
Unrestricted state grants	1,035,015	986,468	-	-	1,035,015	986,468	5%
Unrestricted investment earnings	25,248	6,782	940	404	26,188	7,186	264%
Other revenue	992	5,981	-	-	992	5,981	-83%
Total Revenues	3,403,719	3,376,716	135,180	131,411	3,538,899	3,508,127	1%
Expenses:							
Instruction	2,240,118	2,148,004	-	-	2,240,118	2,148,004	4%
Support services	848,389	800,075	-	-	848,389	800,075	6%
Non-instructional programs	3,348	6,525	138,658	129,787	142,006	136,312	4%
Other expenditures	157,078	144,194	-	-	157,078	144,194	9%
Total expenses	3,248,933	3,098,798	138,658	129,787	3,387,591	3,228,585	5%
Change in net assets before Transfers	154,786	277,918	(3,478)	1,624	151,308	279,542	-46%
Transfers	-	-	-	-	-	-	0%
CHANGE IN NET ASSETS	154,786	277,918	(3,478)	1,624	151,308	279,542	-46%
Net assets beginning of year	2,315,776	2,037,858	65,238	63,614	2,381,014	2,101,472	13%
Net assets end of year	2,470,562	2,315,776	61,760	65,238	2,532,322	2,381,014	6%

Property tax and unrestricted state grants account for 56% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,403,719 and expenses were \$3,248,933. 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 2005 \$	Total Cost of Services 2004 \$	Net Cost of Services 2005 \$	Net Cost of Services 2004 \$
Instruction	2,240,118	2,148,004	1,239,852	1,207,272
Support Services	848,389	800,075	810,184	800,075
Non-instructional Programs	3,348	6,525	3,348	6,525
Other Expenses	157,078	144,194	69,945	47,621
TOTAL	3,248,933	3,098,798	2,123,329	2,061,493

- The cost financed by users of the District's programs was \$801,675.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$323,929.
- The net cost of governmental activities was financed with \$1,216,860 in property and other taxes and \$1,035,015 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$135,180 and expenses were \$138,658. 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.

During the year ended June 30, 2004, the District increased meal prices for the first time in several years. This increase resulted in increased revenue to the School Nutrition Fund that the District has obligated for replacement of obsolete kitchen equipment in the next fiscal year.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,514,504, 19% above last year's ending fund balances of \$1,273,707.

Governmental Fund Highlights

- The General Fund balance increased from \$614,955 to \$643,202, due in part to the trimming of expenses to match the available revenues.

- The Local Option Sales Tax Fund balance increased from \$518,683 in 2004 to \$695,113 in 2005. The District's plan is to save this money in order to improve our HVAC system in the near future.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$65,238 at June 30, 2004 to \$61,760 at June 30, 2005, representing a decrease of approximately 5%. The District was informed by the Department of Education that we needed to decrease our cash balance in this fund. In Fiscal year 2005, the district purchased a new point of sale computer system. We also improved meals and updated some obsolete equipment.

BUDGETARY HIGHLIGHTS

In Accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. This is referred to as the certified budget. The budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority. The district certifies its budget on a cash basis, but year-end financial reports are converted to an accrual basis. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures.

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.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the general fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for users of District financial information to make this important distinction. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the district.

The Anthon-Oto District's unspent balance is extremely overstated. The reason for this is several years ago, the Board at that time chose not to tax for the District's full authority. This resulted in the unspent balance increasing, however, the district did not collect the cash to back up that authority. Therefore, our unspent balance is a lot higher than our actual cash carryover. The cash for this authority was never collected, and we cannot go back to collect it in the future. Therefore, our unspent balance really gives us an unrealistic view of our financial position.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested approximately \$898,000, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 7% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$80,314.

The original cost of the District's capital assets was \$2.5 million. Governmental funds account for \$2.45 million, with the remainder of \$0.05 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the equipment and furniture category. The District's equipment and furniture totaled \$102,518 at June 30, 2005, compared to \$141,349 reported at June 30, 2004. This significant decrease of 28% resulted from many of our large equipment pieces becoming fully depreciated. Because much of this equipment is still in good shape, it has not been replaced yet.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2004-2005
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Construction in progress	-	-	-	-	-	-	0%
Buildings	751,388	787,423	-	-	751,388	787,423	-5%
Improvements	18,361	21,706	-	-	18,361	21,706	-15%
Equipment & Furniture	102,518	141,349	15,771	5,258	118,289	146,607	-19%
TOTAL	882,267	960,478	15,771	5,258	898,038	965,736	-7%

Long-Term Debt

At June 30, 2005, the District had \$0 in general obligation and other long-term debt outstanding. The District does have a small balance in their early retirement liability.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage
	2005	2004	Change
	\$	\$	2004-2005
Early Retirement	1,556	3,980	-61%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District's enrollment decreased in the Fall of 2005, which will mean less revenue generated for the 2006-2007 Fiscal year.
- Enrollments are predicted to continue to decrease over the next several years as smaller Kindergarten classes replace the larger graduating classes.
- The District has many long-term employees that will be eligible for early retirement in the next few years. However, for the 05-06 Fiscal Year, no employees are eligible, so the District did not have to increase the Management Levy for this year, nor for next year.
- The District has facilities that are modern and in good shape. Although there are always projects that need to be done, the revenues to support facility maintenance and improvements should be sufficient to take care of immediate needs for the next few years.
- Woodbury County one-cent sales tax will expire in 2008, however a renewal was passed in the Fall of 2005. Our district changed the ballot language to allow use of one-cent sales tax revenues to fund vehicle purchases.
- Our district also hopes to spend down our one-cent sales tax with a major HVAC renovation in the near future. The District plans to apply for grants to help us fund this project. Other options may include borrowing against our future one-cent sales tax revenue to pay for this future project.

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 Shona Klingensmith, Board Secretary/Treasurer and Business Manager, Anthon-Oto Community School District, 110 W. Division St., Anthon, IA 51004.

BASIC FINANCIAL STATEMENTS

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,263,267	45,477	1,308,744
Receivables:			
Property tax:			
Delinquent	20,194	-	20,194
Succeeding year	925,047	-	925,047
Accounts	-	66	66
Due from other governments	667,290	-	667,290
Inventories	-	9,612	9,612
Interfund receivable/(payable)	8,106	(8,106)	-
Capital assets, net of accumulated depreciation	882,269	15,771	898,040
	<u>3,766,173</u>	<u>62,820</u>	<u>3,828,993</u>
Liabilities			
Accounts payable	365,735	-	365,735
Salaries and benefits payable	3,273	-	3,273
Deferred revenue:			
Succeeding year property tax	925,047	-	925,047
Other	-	1,060	1,060
Long-term liabilities :			
Portion due within one year:			
Early retirement	1,556	-	1,556
	<u>1,295,611</u>	<u>1,060</u>	<u>1,296,671</u>
Net assets			
Invested in capital assets, net of related debt	882,269	15,771	898,040
Restricted for:			
Management levy	144,780	-	144,780
Physical plant and equipment levy	9,652	-	9,652
Other special revenue purposes	20,201	-	20,201
Local option sales tax capital projects	695,113	-	695,113
Unrestricted	718,547	45,989	764,536
	<u>2,470,562</u>	<u>61,760</u>	<u>2,532,322</u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	
			<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	1,660,676	527,591	165,794	-
Special instruction	510,793	186,672	71,002	-
Other instruction	68,649	49,207	-	-
	<u>2,240,118</u>	<u>763,470</u>	<u>236,796</u>	<u>-</u>
Support services:				
Student services	30,824	-	-	-
Instructional staff services	99,395	-	-	-
Administration services	322,728	-	-	-
Operation and maintenance of plant services	190,605	3,239	-	-
Transportation services	204,837	34,966	-	-
	<u>848,389</u>	<u>38,205</u>	<u>-</u>	<u>-</u>
Non-instructional programs	<u>3,348</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	27,695	-	-	-
AEA flowthrough	87,133	-	87,133	-
Depreciation (unallocated)*	42,250	-	-	-
	<u>157,078</u>	<u>-</u>	<u>87,133</u>	<u>-</u>
Total governmental activities	<u>3,248,933</u>	<u>801,675</u>	<u>323,929</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	<u>138,658</u>	<u>55,759</u>	<u>78,481</u>	<u>-</u>
Total	<u>3,387,591</u>	<u>857,434</u>	<u>402,410</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(967,291)	-	(967,291)
(253,119)	-	(253,119)
(19,442)	-	(19,442)
<u>(1,239,852)</u>	<u>-</u>	<u>(1,239,852)</u>
(30,824)	-	(30,824)
(99,395)	-	(99,395)
(322,728)	-	(322,728)
(187,366)	-	(187,366)
(169,871)	-	(169,871)
<u>(810,184)</u>	<u>-</u>	<u>(810,184)</u>
<u>(3,348)</u>	<u>-</u>	<u>(3,348)</u>
(27,695)	-	(27,695)
-	-	-
(42,250)	-	(42,250)
<u>(69,945)</u>	<u>-</u>	<u>(69,945)</u>
(2,123,329)	-	(2,123,329)
-	(4,418)	(4,418)
<u>(2,123,329)</u>	<u>(4,418)</u>	<u>(2,127,747)</u>
919,165	-	919,165
22,378	-	22,378
82,087	-	82,087
193,230	-	193,230
1,035,015	-	1,035,015
25,248	940	26,188
992	-	992
<u>2,278,115</u>	<u>940</u>	<u>2,279,055</u>
154,786	(3,478)	151,308
<u>2,315,776</u>	<u>65,238</u>	<u>2,381,014</u>
<u>2,470,562</u>	<u>61,760</u>	<u>2,532,322</u>

See notes to financial statements.

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2005

	General Fund	Capital Projects (LOST)	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	420,679	667,736	174,852	1,263,267
Receivables:				
Property tax:				
Delinquent	18,857	-	1,337	20,194
Succeeding year	863,080	-	61,967	925,047
Interfund receivable	8,106	-	-	8,106
Due from other governments	639,913	27,377	-	667,290
	<u>1,950,635</u>	<u>695,113</u>	<u>238,156</u>	<u>2,883,904</u>
Total assets				
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	365,735	-	-	365,735
Salaries and benefits payable	3,273	-	-	3,273
Deferred revenue:				
Succeeding year property tax	863,080	-	61,967	925,047
Other	75,345	-	-	75,345
Total liabilities	<u>1,307,433</u>	<u>-</u>	<u>61,967</u>	<u>1,369,400</u>
Fund balances:				
Unreserved, reported in:				
General fund	643,202	-	-	643,202
Special revenue funds	-	-	176,189	176,189
Capital project funds	-	695,113	-	695,113
Total fund balances	<u>643,202</u>	<u>695,113</u>	<u>176,189</u>	<u>1,514,504</u>
	<u>1,950,635</u>	<u>695,113</u>	<u>238,156</u>	<u>2,883,904</u>
Total liabilities and fund balances				

ANTHON-OTO 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 (Exhibit C)	1,514,504
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	882,269
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	75,345
Long-term liabilities, early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(1,556)</u>
Net assets of governmental activities (Exhibit A)	<u><u>2,470,562</u></u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Capital Projects (LOST)	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	971,511	193,230	62,345	1,227,086
Tuition	702,991	-	-	702,991
Other	63,181	10,895	49,856	123,932
State sources	1,228,711	-	-	1,228,711
Federal sources	130,233	-	-	130,233
Total revenues	<u>3,096,627</u>	<u>204,125</u>	<u>112,201</u>	<u>3,412,953</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,648,378	-	-	1,648,378
Special instruction	510,793	-	-	510,793
Other instruction	23,371	-	43,378	66,749
	<u>2,182,542</u>	<u>-</u>	<u>43,378</u>	<u>2,225,920</u>
Support services:				
Student services	30,735	-	89	30,824
Instructional staff services	98,170	-	125	98,295
Administration services	314,475	-	5,699	320,174
Operation and maintenance of plant services	192,910	-	13,833	206,743
Transportation services	163,407	-	9,609	173,016
	<u>799,697</u>	<u>-</u>	<u>29,355</u>	<u>829,052</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>3,348</u>	<u>3,348</u>
Other expenditures:				
Facilities acquisition	-	27,695	-	27,695
AEA flowthrough	87,133	-	-	87,133
	<u>87,133</u>	<u>27,695</u>	<u>-</u>	<u>114,828</u>
Total expenditures	<u>3,069,372</u>	<u>27,695</u>	<u>76,081</u>	<u>3,173,148</u>
Excess (deficiency) of revenues over (under) expenditures	27,255	176,430	36,120	239,805
Other financing sources (uses):				
Sales of materials and equipment	992	-	-	992
Net change in fund balances	28,247	176,430	36,120	240,797
Fund balances beginning of year	614,955	518,683	140,069	1,273,707
Fund balances end of year	<u>643,202</u>	<u>695,113</u>	<u>176,189</u>	<u>1,514,504</u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

\$

\$

Net change in fund balances - total governmental funds (Exhibit E) 240,797

*Amounts reported for governmental activities in the
Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the year as follows:

Expenditures for capital assets	20,497	
Depreciation expense	<u>(98,706)</u>	(78,209)

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities. (10,226)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		<u>2,424</u>
------------------	--	--------------

Changes in net assets of governmental activities (Exhibit B) 154,786

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2005

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	45,477
Accounts receivable	66
Inventories	9,612
Capital assets, net of accumulated depreciation	<u>15,771</u>
Total assets	<u>70,926</u>
Liabilities	
Interfund payable	8,106
Deferred revenue	<u>1,060</u>
Total liabilities	<u>9,166</u>
Net assets	
Invested in capital assets, net of related debt	15,771
Unrestricted	<u>45,989</u>
Total net assets	<u><u>61,760</u></u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>55,759</u>
Operating expenses:	
Non-instructional programs:	
Salaries	53,535
Benefits	9,564
Purchased services	3,667
Supplies	69,787
Depreciation	2,105
	<u>138,658</u>
Operating gain (loss)	<u>(82,899)</u>
Non-operating revenue:	
State sources	2,048
Federal sources	76,433
Interest income	940
Total non-operating revenue	<u>79,421</u>
Change in net assets	(3,478)
Net assets beginning of year	<u>65,238</u>
Net assets end of year	<u><u>61,760</u></u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2005

	Nonmajor School Nutrition \$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	55,862
Cash payments to employees for services	(54,993)
Cash payments to suppliers for goods or services	(58,298)
Net cash used by operating activities	<u>(57,429)</u>
Cash flows from non-capital financing activities:	
State grants received	2,048
Federal grants received	<u>62,374</u>
Net cash provided by non-capital financing activities	<u>64,422</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(7,363)</u>
Cash flows from investing activities:	
Interest on investments	<u>940</u>
Net increase (decrease) in cash and cash equivalents	570
Cash and cash equivalents at beginning of year	<u>44,907</u>
Cash and cash equivalents at end of year	<u><u>45,477</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating gain (loss)	(82,899)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	14,059
Depreciation	2,105
Decrease (increase) in inventories	1,097
Decrease (increase) in accounts receivable	3
(Decrease) increase in deferred revenue	100
(Decrease) increase in due to other fund for salary reimbursement	<u>8,106</u>
Net cash used in operating activities	<u><u>(57,429)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$14,059 of federal commodities.

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Year ended June 30, 2005

1. Summary of Significant Accounting Policies

Anthon-Oto Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Anthon and Oto, Iowa and the predominately agricultural territory in a portion of Woodbury 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, Anthon-Oto 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 Anthon-Oto Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1,

2004, through June 30, 2005, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	500
Buildings	5,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

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

<u>Asset Class</u>	<u>Estimated Useful lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Furniture and equipment	3-10 years

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

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

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

2. Cash and Pooled Investments

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

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

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

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	1,310,876

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

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

3. Interfund Receivables and Payable

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 Fund	Nonmajor Enterprise School Nutrition Fund	8,106

The interfund receivable/payable represents monies owed by the School Nutrition Fund for salaries paid by the General Fund

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	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	1,682,365	16,512	-	1,698,877
Improvements other than buildings	188,232	-	-	188,232
Furniture and equipment	541,084	3,985	-	545,069
Total capital assets being deprec.	<u>2,411,681</u>	<u>20,497</u>	<u>-</u>	<u>2,432,178</u>
Less accumulated depreciation for:				
Buildings	894,942	52,547	-	947,489
Improvements other than buildings	166,526	3,345	-	169,871
Furniture and equipment	399,735	42,816	-	442,551
Total accumulated depreciation	<u>1,461,203</u>	<u>98,708</u>	<u>-</u>	<u>1,559,911</u>
Total capital assets being depreciated, net	<u>950,478</u>	<u>(78,211)</u>	<u>-</u>	<u>872,267</u>
Governmental activities capital assets, net	<u>960,478</u>	<u>(78,211)</u>	<u>-</u>	<u>882,267</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	73,586	7,363	492	80,457
Less accumulated depreciation	<u>63,073</u>	<u>2,105</u>	<u>492</u>	<u>64,686</u>
Business type activities capital assets, net	<u>10,513</u>	<u>5,258</u>	<u>-</u>	<u>15,771</u>
Depreciation expense was charged to the following functions:				
				\$
Governmental activities:				
Instruction:				
Regular				18,707
Other				1,900
Support Services:				
Instructional staff services				1,100
Administration services				2,554
Operation and maintenance of plant services				374
Transportation				<u>31,821</u>

	56,456
Unallocated depreciation	<u>42,250</u>
Total governmental activities depreciation expense	<u><u>98,706</u></u>
Business type activities:	
Food services operations	<u><u>2,105</u></u>

5. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Early retirement	<u>3,980</u>	<u>-</u>	<u>2,424</u>	<u>1,556</u>	<u>1,556</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement expenditures for the year ended June 30, 2005 totaled \$2,424.

Bonds Payable

The District had no bonded indebtedness at June 30, 2005.

6. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$79,565, \$84,423, and \$75,595 respectively, equal to the required contributions for each year.

7. Risk Management

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

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the

Association had their deficit recovery assessment included in their annual premium for the 2004-2005 and 2005-2006 plan years. The deficit recovery is equal to 2% of the annual premium. The total amount of the deficit recoveries of current members is estimated to be \$2.2 million. The District's share of this assessment was \$13,688, of which \$6,844 was paid with the 2004-2005 premiums and \$6,844 is a liability as of June 30, 2005 and will be paid with the 2005-2006 premiums. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2005 were \$342,235.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

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

8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$87,133 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

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	1,960,403	56,802	2,017,205	1,980,554	1,980,554	36,651
Intermediate sources	-	-	-	-	-	-
State sources	1,222,318	2,048	1,224,366	1,263,756	1,263,756	(39,390)
Federal sources	146,836	76,433	223,269	205,000	205,000	18,269
Total receipts	<u>3,329,557</u>	<u>135,283</u>	<u>3,464,840</u>	<u>3,449,310</u>	<u>3,449,310</u>	<u>15,530</u>
Disbursements:						
Instruction	2,228,458	-	2,228,458	2,746,590	2,746,590	518,132
Support services	814,045	-	814,045	1,012,303	1,012,303	198,258
Non-instructional programs	3,348	134,713	138,061	230,074	230,074	92,013
Other expenditures	114,828	-	114,828	644,262	644,262	529,434
Total disbursements	<u>3,160,679</u>	<u>134,713</u>	<u>3,295,392</u>	<u>4,633,229</u>	<u>4,633,229</u>	<u>1,337,837</u>
Excess (deficiency) of receipts over (under) disbursements	168,878	570	169,448	(1,183,919)	(1,183,919)	1,353,367
Other financing sources (uses) net	<u>(7,114)</u>	<u>-</u>	<u>(7,114)</u>	<u>-</u>	<u>-</u>	<u>(7,114)</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	161,764	570	162,334	(1,183,919)	(1,183,919)	1,346,253
Balance beginning of year	<u>1,101,503</u>	<u>44,907</u>	<u>1,146,410</u>	<u>1,183,919</u>	<u>1,183,919</u>	<u>(37,509)</u>
Balance end of year	<u><u>1,263,267</u></u>	<u><u>45,477</u></u>	<u><u>1,308,744</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>1,308,744</u></u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	3,329,557	83,396	3,412,953
Expenditures	3,160,679	12,469	3,173,148
Net	168,878	70,927	239,805
Other financing sources (uses) net	(7,114)	8,106	992
Beginning fund balances	1,101,503	172,204	1,273,707
Ending fund balances	1,263,267	251,237	1,514,504

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
\$	\$	\$	
Revenues	135,283	(103)	135,180
Expenditures	134,713	3,945	138,658
Net	570	(4,048)	(3,478)
Beginning fund balances	44,907	20,331	65,238
Ending fund balances	45,477	16,283	61,760

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

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

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

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

OTHER SUPPLEMENTARY INFORMATION

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

Assets	Special Revenue Funds			Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Cash and pooled investments	145,479	20,201	9,172	174,852
Receivables:				
Property tax:				
Delinquent	857	-	480	1,337
Succeeding year	40,000	-	21,967	61,967
Total assets	186,336	20,201	31,619	238,156
Liabilities & Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	40,000	-	21,967	61,967
Fund balances:				
Unreserved fund balance reported in:				
Special revenue funds	146,336	20,201	9,652	176,189
Total liabilities and fund balances	186,336	20,201	31,619	238,156

ANTHON-OTO 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
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	39,967	-	22,378	62,345
Other	2,145	47,622	89	49,856
Total revenues	<u>42,112</u>	<u>47,622</u>	<u>22,467</u>	<u>112,201</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	-	43,378	-	43,378
Support services:				
Student services	89	-	-	89
Instructional staff services	125	-	-	125
Administration services	4,984	-	715	5,699
Operation and maintenance of plant services	13,833	-	-	13,833
Transportation services	9,609	-	-	9,609
Non-instructional programs	3,348	-	-	3,348
Total expenditures	<u>31,988</u>	<u>43,378</u>	<u>715</u>	<u>76,081</u>
Excess (deficiency) of revenues over (under) expenditures	10,124	4,244	21,752	36,120
Fund balances beginning of year	<u>136,212</u>	<u>15,957</u>	<u>(12,100)</u>	<u>140,069</u>
Fund balances end of year	<u><u>146,336</u></u>	<u><u>20,201</u></u>	<u><u>9,652</u></u>	<u><u>176,189</u></u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Drama	191	-	-	-	191
Swing choir	756	1,239	554	5	1,446
Instrumental	(285)	4,717	4,380	294	346
Pep club	1,452	-	-	12	1,464
Junior high activity	4,627	39,856	36,020	(296)	8,167
Res for activity athletic director	-	730	-	-	730
Student council	320	797	1,924	164	(643)
Art club	1,059	-	-	11	1,070
Interest	234	283	-	(234)	283
Elementary activities	7,603	-	500	44	7,147
Totals	15,957	47,622	43,378	-	20,201

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,227,086	1,317,439	1,206,281	1,099,216
Tuition	702,991	643,481	44,354	54,739
Other	123,932	79,597	648,439	595,933
State sources	1,228,711	1,163,985	1,190,033	1,238,431
Federal sources	130,233	147,489	164,135	71,986
Total revenues	<u>3,412,953</u>	<u>3,351,991</u>	<u>3,253,242</u>	<u>3,060,305</u>
Expenditures:				
Instruction:				
Regular instruction	1,648,378	1,610,368	1,456,259	1,474,080
Special instruction	510,793	461,575	373,296	374,697
Other instruction	66,749	67,291	155,506	168,955
Support services:				
Student services	30,824	42,480	38,824	38,639
Instructional staff services	98,295	112,507	120,378	105,792
Administration services	320,174	262,634	258,872	268,478
Operation and maintenance of plant services	206,743	184,564	172,268	178,074
Transportation services	173,016	222,870	159,886	178,818
Non-instructional programs	3,348	6,525	1,897	1,603
Other expenditures:				
Facilities acquisition	27,695	11,746	69,778	212,014
AEA flowthrough	87,133	88,773	94,110	95,673
Total expenditures	<u>3,173,148</u>	<u>3,071,333</u>	<u>2,901,074</u>	<u>3,096,823</u>

Gary E. Horton CPA

PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax

BETCO@mchsi.com E-mail

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
Anthon - Oto 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 Anthon - Oto Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 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 Anthon - Oto Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 05-I-A is a material weakness.

Compliance and Other Matters

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

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

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

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

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

September 22, 2005

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

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

Conclusion: Response accepted.

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

05-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

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

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

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

05-II-E Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
Wade Nelson, Board Member	Vehicle Maintenance	405

The transaction does not appear to represent a conflict of interest since the dollar amount was less than \$2,500 as allowed by the Code of Iowa.

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

05-II-G Board Minutes: We noted no transactions requiring board approval that had not been approved by the board.

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

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

05-II-J Certified Annual Report (CAR): The CAR was not filed with the Department of Education in a timely manner. We noted no significant deficiencies in the amounts reported.

Recommendation: The District should file their CAR in a timely manner

District Response: We will do so in the future.

Conclusion: Response accepted.

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

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

05-II-K Financial Condition: The Student Activity Fund has one account with a deficit balance at June 30, 2005.

Recommendation: The District should continue to monitor this account and investigate alternatives to eliminate the deficit.

District Response: We are working on ways to eliminate the deficit.

Conclusion: Response accepted.

05-II-L Reclassification of Student Activity Fund Accounts: The Student Activity Fund is to be used to account for the District's extracurricular student activity program. We noted accounts in the Student Activity Fund that may belong more appropriately in other funds.

Recommendation: We recommend these be reviewed and transferred to the proper fund.

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

Conclusion: Response accepted.