

AURELIA COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

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Independent Auditor's Report

To the Board of Education of
Aurelia 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 Aurelia Community School District, Aurelia, 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 Aurelia 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 November 14, 2005, on our consideration of Aurelia Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 38 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 Aurelia 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 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.

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

November 14, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Aurelia 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 \$2,511,917 in fiscal 2004 to \$2,539,253 in fiscal 2005, while General Fund expenditures increased from \$2,435,024 in fiscal 2004 to \$2,460,320 in fiscal 2005. The District's General Fund balance increased from \$539,895 in fiscal 2004 to \$606,616 in fiscal 2005.
- The increase in General Fund revenues was attributable to an increase in state revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.

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 Aurelia 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 Aurelia 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 Aurelia 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 non-major 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.

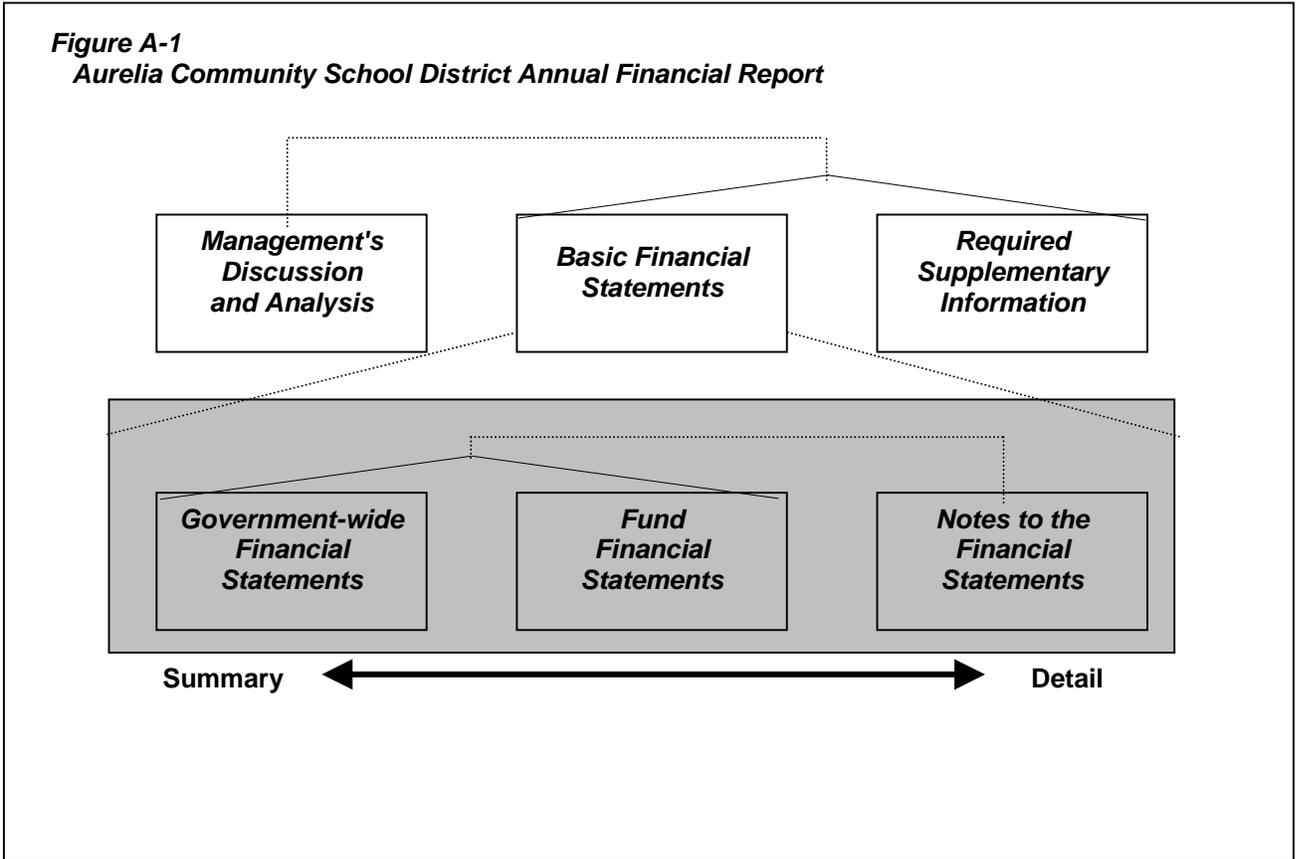


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 three kinds of funds:

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

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

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Current and other assets	2,304,020	2,149,905	5,394	5,128	2,309,414	2,155,033	7%
Capital assets	258,032	242,420	11,526	13,752	269,558	256,172	5%
Total assets	2,562,052	2,392,325	16,920	18,880	2,578,972	2,411,205	7%
Long-term liabilities	31,593	46,402	-	-	31,593	46,402	-32%
Other liabilities	1,236,917	1,265,019	856	592	1,237,773	1,265,611	-2%
Total liabilities	1,268,510	1,311,421	856	592	1,269,366	1,312,013	-3%
Net Assets:							
Invested in capital assets, net of related debt	258,032	242,420	11,526	13,752	269,558	256,172	5%
Restricted	437,039	346,272	-	-	437,039	346,272	26%
Unrestricted	598,471	492,212	4,538	4,536	603,009	496,748	21%
TOTAL NET ASSETS	1,293,542	1,080,904	16,064	18,288	1,309,606	1,099,192	19%

The District's combined net assets increased by nearly 19%, or approximately \$210,000, 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 \$91,000 or 26% over the prior year. The increase was primarily a result of Local Option Sales Tax Revenues for the 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 \$107,000, or 21%.

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	181,415	165,053	49,695	49,175	231,110	214,228	8%
Operating grants & contributions	316,783	296,335	47,361	45,403	364,144	341,738	7%
Capital grants & contributions	-	16,584	-	-	-	16,584	-100%
General Revenues:							
Property taxes	1,270,747	1,431,656	-	-	1,270,747	1,431,656	-11%
Income Surtax	93,506	42,671	-	-	93,506	42,671	119%
Local option sales tax	142,921	-	-	-	142,921	-	0%
Unrestricted state grants	971,571	835,253	-	-	971,571	835,253	16%
Unrestricted investment earnings	15,837	8,329	72	29	15,909	8,358	90%
Other revenue	200	1,508	-	-	200	1,508	-87%
Total Revenues	2,992,980	2,797,389	97,128	94,607	3,090,108	2,891,996	7%
Expenses:							
Instruction	1,770,737	1,755,371	-	-	1,770,737	1,755,371	1%
Support services	744,488	749,707	-	-	744,488	749,707	-1%
Non-instructional programs	13,840	12,410	99,352	100,640	113,192	113,050	0%
Other expenditures	251,277	169,962	-	-	251,277	169,962	48%
Total expenses	2,780,342	2,687,450	99,352	100,640	2,879,694	2,788,090	3%
Change in net assets before transfers	212,638	109,939	(2,224)	(6,033)	210,414	103,906	103%
Transfers	-	-	-	-	-	-	0%
CHANGE IN NET ASSETS	212,638	109,939	(2,224)	(6,033)	210,414	103,906	103%
Net assets beginning of year	1,080,904	970,965	18,288	24,321	1,099,192	995,286	10%
Net assets end of year	1,293,542	1,080,904	16,064	18,288	1,309,606	1,099,192	19%

Property tax and unrestricted state grants account for 75% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$2,992,980 and expenses were \$2,780,342. 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	1,770,737	1,755,371	1,399,006	1,395,223
Support Services	744,488	749,707	744,477	748,471
Non-instructional Programs	13,840	12,410	13,840	12,410
Other Expenses	251,277	169,962	124,821	53,374
TOTAL	2,780,342	2,687,450	2,282,144	2,209,478

- The cost financed by users of the District's programs was \$181,415.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$316,783.
- The net cost of governmental activities was financed with \$1,507,174 in property and other taxes and \$971,571 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$96,127 and expenses were \$99,352. 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. The Board of Education decided to increase meal prices for the fiscal year 2006 to help cover increased expenses.

INDIVIDUAL FUND ANALYSIS

As previously noted, Aurelia 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 \$1,001,532 well above last year's ending fund balances of \$843,770.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues.
- The General Fund balance increased from \$539,895 to \$606,616

- The Physical Plant and Equipment Levy (PEEL) Fund balance decreased from a balance of \$226,403 in fiscal 2004 to \$225,681 in fiscal 2005.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$18,288 at June 30, 2004 to \$16,064 at June 30, 2005. The price of meals will increase for the fiscal year ending June 20, 2006 to help cover increased costs.

BUDGETARY HIGHLIGHTS

The District's receipts were \$11,495 less than budgeted receipts. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$269,556, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$47,971.

The original cost of the District's capital assets was \$1.74 million. Governmental funds account for \$1.72 million, with the remainder of \$.02 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2005	2004	2005	2004	2005	2004	2004-2005
	\$	\$	\$	\$	\$	\$	
Land	31,400	31,400	-	-	31,400	31,400	0%
Construction in progress	-	-	-	-	-	-	0%
Buildings	95,326	84,583	-	-	95,326	84,583	13%
Improvements	30,698	44,617	-	-	30,698	44,617	-31%
Equipment & Furniture	100,608	81,820	11,524	13,752	112,132	95,572	17%
TOTAL	258,032	242,420	11,524	13,752	269,556	256,172	5%

Long-Term Debt

At June 30, 2005, the District had \$31,593 in other long-term debt outstanding. This represents a decrease from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2005	2004	2004-2005
	\$	\$	
Early Retirement	31,593	46,402	-32%
	31,593	46,402	-32%

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:

- School financing is highly dependent upon student enrollment. The District's September 2005 enrollment decreased by ten students. This drop in enrollment will decrease the District's funding for fiscal year 2007.
- The phase out of the budget guarantee will affect the District's financial resources in the future. Management continues to monitor expenses to ensure good financial health. Costs outside of the Board's control such as health insurance, fuel and utilities continue to be worrisome.

- The District's main priority is to provide the resources needed for excellent student achievement. This is shown as the District's students continue to score well in standardized tests. The Board is exploring sharing options to ensure that the students receive an excellent education.
- The addition of the Local Option Sales Tax has provided resources to improve the District facilities. The District used these funds to remodel restroom facilities and make other improvements. The Board continues to look at projects as funds are available.

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 Vicki Kolpin, [District Secretary/Treasurer and Business Manager, Aurelia Community School District, 300 Ash Street, Aurelia, Iowa, 51005.](#)

BASIC FINANCIAL STATEMENTS

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	951,711	2,313	954,024
Receivables:			
Property tax:			
Delinquent	22,097	-	22,097
Succeeding year	1,187,314	-	1,187,314
Accounts	5,810	695	6,505
Accrued interest	651	-	651
Due from other governments	136,437	-	136,437
Inventories	-	2,386	2,386
Capital assets, net of accumulated depreciation	258,032	11,526	269,558
	<u>2,562,052</u>	<u>16,920</u>	<u>2,578,972</u>
Liabilities			
Accounts payable	39,735	-	39,735
Salaries and benefits payable	9,868	-	9,868
Deferred revenue:			
Succeeding year property tax	1,187,314	-	1,187,314
Other	-	856	856
Long-term liabilities:			
Portion due within one year:			
Early retirement	2,468	-	2,468
Portion due more than one year:			
Early retirement	29,125	-	29,125
	<u>1,268,510</u>	<u>856</u>	<u>1,269,366</u>
Net assets			
Invested in capital assets, net of related debt	258,032	11,526	269,558
Restricted for:			
Gifted and talented program	88,380	-	88,380
Management levy	2,744	-	2,744
Capital outlay	330,157	-	330,157
Other special revenue purposes	15,758	-	15,758
Unrestricted	598,471	4,538	603,009
	<u>1,293,542</u>	<u>16,064</u>	<u>1,309,606</u>

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	1,171,027	73,128	140,255	-
Special instruction	200,074	16,009	43,923	-
Other instruction	399,636	92,278	6,138	-
	<u>1,770,737</u>	<u>181,415</u>	<u>190,316</u>	<u>-</u>
Support services:				
Student services	74,287	-	-	-
Instructional staff services	5,952	-	11	-
Administration services	323,221	-	-	-
Operation and maintenance of plant services	251,710	-	-	-
Transportation services	89,318	-	-	-
	<u>744,488</u>	<u>-</u>	<u>11</u>	<u>-</u>
Non-instructional programs	<u>13,840</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	130,396	-	-	27,885
AEA flowthrough	98,571	-	98,571	-
Depreciation (unallocated)*	22,310	-	-	-
	<u>251,277</u>	<u>-</u>	<u>98,571</u>	<u>27,885</u>
Total governmental activities	2,780,342	181,415	288,898	27,885
Business Type Activities:				
Non-instructional programs:				
Food service operations	99,352	49,695	47,361	-
Total	<u>99,352</u>	<u>49,695</u>	<u>47,361</u>	<u>-</u>
Total	<u>2,879,694</u>	<u>231,110</u>	<u>336,259</u>	<u>27,885</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.

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

Net (Expense) Revenue and Changes in

<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
(957,644)	-	(957,644)
(140,142)	-	(140,142)
(301,220)	-	(301,220)
<u>(1,399,006)</u>	<u>-</u>	<u>(1,399,006)</u>
(74,287)	-	(74,287)
(5,941)	-	(5,941)
(323,221)	-	(323,221)
(251,710)	-	(251,710)
(89,318)	-	(89,318)
<u>(744,477)</u>	<u>-</u>	<u>(744,477)</u>
<u>(13,840)</u>	<u>-</u>	<u>(13,840)</u>
(102,511)	-	(102,511)
-	-	-
(22,310)	-	(22,310)
<u>(124,821)</u>	<u>-</u>	<u>(124,821)</u>
(2,282,144)	-	(2,282,144)
<u>-</u>	<u>(2,296)</u>	<u>(2,296)</u>
<u>(2,282,144)</u>	<u>(2,296)</u>	<u>(2,284,440)</u>
1,166,931	-	1,166,931
103,816	-	103,816
93,506	-	93,506
142,921	-	142,921
971,571	-	971,571
15,837	71	15,908
200	-	200
<u>2,494,782</u>	<u>71</u>	<u>2,494,853</u>
212,638	(2,225)	210,413
<u>1,080,904</u>	<u>18,289</u>	<u>1,099,193</u>
<u>1,293,542</u>	<u>16,064</u>	<u>1,309,606</u>

AURELIA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2005

	General Fund	Physical Plant and Equipment Levy	Nonmajor Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	585,897	213,746	152,068	951,711
Receivables:				
Property tax:				
Delinquent	19,325	1,786	986	22,097
Succeeding year	1,025,114	107,200	55,000	1,187,314
Accounts	5,810	-	-	5,810
Accrued interest	651	-	-	651
Due from other governments	78,998	17,649	39,790	136,437
Total assets	<u>1,715,795</u>	<u>340,381</u>	<u>247,844</u>	<u>2,304,020</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	8,626	7,500	23,609	39,735
Salaries and benefits payable	9,868	-	-	9,868
Deferred revenue:				
Succeeding year property tax	1,025,114	107,200	55,000	1,187,314
Other	65,571	-	-	65,571
Total liabilities	<u>1,109,179</u>	<u>114,700</u>	<u>78,609</u>	<u>1,302,488</u>
Fund balances:				
Reserved for:				
Gifted and talented program	88,380	-	-	88,380
Unreserved, reported in:				
General fund	518,236	-	-	518,236
Special revenue funds	-	225,681	66,406	292,087
Capital project funds	-	-	102,829	102,829
Total fund balances	<u>606,616</u>	<u>225,681</u>	<u>169,235</u>	<u>1,001,532</u>
Total liabilities and fund balances	<u>1,715,795</u>	<u>340,381</u>	<u>247,844</u>	<u>2,304,020</u>

AURELIA COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

	\$
Total governmental fund balances (Exhibit C)	1,001,532
<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.	258,032
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	65,571
Long-term liabilities, including early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(31,593)</u>
Net assets of governmental activities (Exhibit A)	<u><u>1,293,542</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Physical Plant and Equipment Levy	Nonmajor Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,180,031	103,816	198,872	1,482,719
Tuition	75,306	-	-	75,306
Other	23,570	1,386	96,990	121,946
State sources	1,162,377	79	44	1,162,500
Federal sources	97,969	27,885	-	125,854
Total revenues	<u>2,539,253</u>	<u>133,166</u>	<u>295,906</u>	<u>2,968,325</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,174,652	-	17,577	1,192,229
Special instruction	200,074	-	-	200,074
Other instruction	292,581	-	106,139	398,720
	<u>1,667,307</u>	<u>-</u>	<u>123,716</u>	<u>1,791,023</u>
Support services:				
Student services	71,379	-	2,908	74,287
Instructional staff services	2,394	-	3,558	5,952
Administration services	314,473	-	10,593	325,066
Operation and maintenance of plant services	227,988	23,500	8,986	260,474
Transportation services	65,246	-	12,063	77,309
	<u>681,480</u>	<u>23,500</u>	<u>38,108</u>	<u>743,088</u>
Non-instructional programs	12,962	-	878	13,840
Other expenditures:				
Facilities acquisition	-	110,388	53,853	164,241
AEA flowthrough	98,571	-	-	98,571
	<u>98,571</u>	<u>110,388</u>	<u>53,853</u>	<u>262,812</u>
Total expenditures	<u>2,460,320</u>	<u>133,888</u>	<u>216,555</u>	<u>2,810,763</u>
Excess (deficiency) of revenues over (under) expenditures	<u>78,933</u>	<u>(722)</u>	<u>79,351</u>	<u>157,562</u>
Other financing sources (uses):				
Sales of materials and equipment	200	-	-	200
Operating transfers in	-	-	12,412	12,412
Operating transfers out	(12,412)	-	-	(12,412)
Total other financing sources (uses)	<u>(12,212)</u>	<u>-</u>	<u>12,412</u>	<u>200</u>
Net changes in fund balances	66,721	(722)	91,763	157,762
Fund balances beginning of year	539,895	226,403	77,472	843,770
Fund balances end of year	<u>606,616</u>	<u>225,681</u>	<u>169,235</u>	<u>1,001,532</u>

AURELIA 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)		157,762
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year are as follows:		
Expenditures for capital outlays	61,335	
Depreciation Expense	<u>(45,723)</u>	15,612
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.		
		24,455
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.		
Early retirement		<u>14,809</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>212,638</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds
June 30, 2005

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	2,313
Accounts receivable	695
Inventories	2,386
Capital assets, net of accumulated depreciation	<u>11,526</u>
Total assets	16,920
Liabilities	
Deferred revenue	<u>856</u>
Net assets	
Invested in capital assets, net of related debt	11,526
Unrestricted	<u>4,538</u>
Total net assets	<u><u>16,064</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>49,695</u>
Operating expenses:	
Non-instructional programs:	
Salaries	34,344
Supplies	62,782
Depreciation	<u>2,226</u>
	<u>99,352</u>
Operating gain (loss)	<u>(49,657)</u>
Non-operating revenue:	
State sources	1,711
Federal sources	45,650
Interest on investments	<u>71</u>
Total non-operating revenue	<u>47,432</u>
Change in net assets	(2,225)
Net assets beginning of year	<u>18,289</u>
Net assets end of year	<u><u>16,064</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2005

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	51,149
Cash payments to employees for services	(34,344)
Cash payments to suppliers for goods or services	<u>(56,022)</u>
Net cash used by operating activities	<u>(39,217)</u>
Cash flows from non-capital financing activities:	
State grants received	1,711
Federal grants received	<u>37,680</u>
Net cash provided by non-capital financing activities	<u>39,391</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>72</u>
Net increase (decrease) in cash and cash equivalents	246
Cash and cash equivalents at beginning of year	<u>2,067</u>
Cash and cash equivalents at end of year	<u><u>2,313</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating gain (loss)	(49,657)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	7,970
Depreciation	2,226
Decrease (increase) in inventories	(1,211)
Decrease (increase) in accounts receivable	1,191
(Decrease) increase in deferred revenue	<u>264</u>
Net cash used in operating activities	<u><u>(39,217)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$7,970 of federal commodities.

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2005

	Private Purpose Trust Scholarship	Agency
	\$	\$
Assets		
Cash and pooled investments	4,859	317
Liabilities		
Accounts payable	-	317
Net Assets		
Reserved for scholarships	<u>4,859</u>	<u>-</u>

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

Year ended June 30, 2005

	Private Purpose Trust Scholarship <u> </u> \$
Additions:	
Local sources:	
Gifts and contributions	500
Interest	43
Total additions	<u>543</u>
Deductions:	
Support services:	
Scholarships awarded	<u>600</u>
Change in net assets	(57)
Net assets beginning of year	<u>4,916</u>
Net assets end of year	<u><u>4,859</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

1. Summary of Significant Accounting Policies

Aurelia 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 City of Aurelia Iowa and the predominately agricultural territory in a portion of Cherokee and Buena Vista 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, Aurelia 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 Aurelia Community School District Foundation is a component unit. The Foundation's financial statements have been blended with the financial statements of the District and are included in the District Support Trust Fund.

The Aurelia Community School District Foundation was established to operate exclusively for the benefit of the Aurelia Community School District. The foundation may 1) receive, administer, and distribute funds, property and gifts of any kind, 2) develop, administer and distribute scholarships, 3) develop and administer programs to enhance classroom instruction and 4) may take any other action deemed necessary or desirable to enhance or develop educational programs or facilities.

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 non fiduciary 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 non fiduciary 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 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 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 Physical Plant and Equipment Levy fund is used to account for resources used in the acquisition and construction and repair 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.

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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	5,000
Buildings	1,500
Improvements other than buildings	1,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

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	5-25 years
Furniture and equipment	3-15 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 in the non-instructional programs function exceeded the amount budgeted.

2. **Cash and Pooled Investments**

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

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

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

3. Interfund Transfers

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

Transfer to	Transfer from	Amount
		\$
Nonmajor Funds:		
Student Activity fund	General Fund	12,412

This transfer reflects payment for costs allowed to be paid from 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	31,400	-	-	31,400
Capital assets being depreciated:				
Buildings	693,362	19,510	-	712,872
Improvements other than buildings	331,894	-	-	331,894
Furniture and equipment	599,512	41,825	-	641,337
Total capital assets being deprec.	1,624,768	61,335	-	1,686,103
Less accumulated depreciation for:				
Buildings	608,779	8,767	-	617,546
Improvements other than buildings	287,277	13,919	-	301,196
Furniture and equipment	517,692	23,037	-	540,729
Total accumulated depreciation	1,413,748	45,723	-	1,459,471
Total capital assets being depreciated, net	211,020	15,612	-	226,632
Governmental activities capital assets, net	242,420	15,612	-	258,032
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	25,929	-	-	25,929
Less accumulated depreciation	12,177	2,226	-	14,403
Business type activities capital				

assets, net	13,752	(2,226)	-	11,526
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Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	7,715
Other	916
Support Services:	
Administration services	787
Operation and maintenance of plant services	1,986
Transportation	12,009
	<u>23,413</u>
Unallocated depreciation	<u>22,310</u>
Total governmental activities depreciation expense	<u><u>45,723</u></u>
Business type activities:	
Food service operations	<u><u>2,226</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	46,402	-	14,809	31,593	2,468

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 ten years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on salary. Early retirement expenditures for the year ended June 30, 2005 totaled \$14,809.

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 \$84,891, \$84,606, and \$86,443 respectively, equal to the required contributions for each year.

7. Risk Management

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

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$3.9 million. The District's share of this assessment was \$8,030 which was paid as of June 30, 2005.

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

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 \$98,571 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.

9. Contingency

There is an outstanding lawsuit against the district involving the death of a student at an after prom party. The suit is being handled by the District's insurance company. The amount and the outcome is unknown at this time.

10. Construction Commitment

The District has entered into contracts totaling \$76,473 for restroom remodeling. As of June 30, 2005 no costs had been incurred against the contracts. The balances remaining at June 30, 2005 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTAL INFORMATION

AURELIA COMMUNITY SCHOOL DISTRICT

Budget 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 Fund Types Actual \$	Proprietary Fund Type Actual \$	Net \$	Budgeted Amounts		Final to Actual Variance - Positive (Negative) \$
				Original	Final	
					\$	
Receipts:						
Local sources	1,639,282	51,221	1,690,503	1,653,594	1,653,594	36,909
State sources	1,163,062	1,711	1,164,773	1,207,375	1,207,375	(42,602)
Federal sources	119,538	45,650	165,188	148,000	148,000	17,188
Total receipts	<u>2,921,882</u>	<u>98,582</u>	<u>3,020,464</u>	<u>3,008,969</u>	<u>3,008,969</u>	<u>11,495</u>
Disbursements:						
Instruction	1,768,295	-	1,768,295	1,798,228	1,798,228	29,933
Support services	745,315	-	745,315	836,147	836,147	90,832
Noninstructional programs	13,583	98,336	111,919	109,181	109,181	(2,738)
Other expenditures	255,312	-	255,312	321,998	321,998	66,686
Total disbursements	<u>2,782,505</u>	<u>98,336</u>	<u>2,880,841</u>	<u>3,065,554</u>	<u>3,065,554</u>	<u>184,713</u>
Excess (deficiency) of receipts over (under) disbursements	139,377	246	139,623	(56,585)	(56,585)	196,208
Other financing sources (uses) net	<u>200</u>	<u>-</u>	<u>200</u>	<u>-</u>	<u>-</u>	<u>200</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	139,577	246	139,823	(56,585)	(56,585)	196,408
Balance beginning of year	<u>812,134</u>	<u>2,067</u>	<u>814,201</u>	<u>771,066</u>	<u>771,066</u>	<u>43,135</u>
Balance end of year	<u><u>951,711</u></u>	<u><u>2,313</u></u>	<u><u>954,024</u></u>	<u><u>714,481</u></u>	<u><u>714,481</u></u>	<u><u>239,543</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Year ended June 30, 2005

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	2,921,882	46,443	2,968,325
Expenditures	2,782,505	28,258	2,810,763
Net	139,377	18,185	157,562
Other financing sources (uses) net	200	-	200
Beginning fund balances	812,134	31,636	843,770
Ending fund balances	951,711	49,821	1,001,532

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
\$	\$	\$	
Revenues	98,582	(1,455)	97,127
Expenditures	98,336	1,015	99,351
Net	246	(2,470)	(2,224)
Beginning fund balances	2,067	16,221	18,288
Ending fund balances	2,313	13,751	16,064

AURELIA 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.

During the year ended June 30, 2005, disbursements in the non-instructional programs function exceeded the amount budgeted.

OTHER SUPPLEMENTAL INFORMATION

AURELIA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

Assets	Special Revenue Funds				Capital Projects	Total
	Management	Student Activity Fund	67.5 Cent Levy	District Support Trust Funds	Local Option Sales and Services Tax	
	\$	\$	\$	\$	\$	\$
Cash and pooled investments	33,351	16,419	1,647	14,664	85,987	152,068
Receivables:						
Property tax:						
Delinquent	986	-	-	-	-	986
Succeeding year	55,000	-	-	-	-	55,000
Due from other governments	-	-	-	-	39,790	39,790
Total assets	89,337	16,419	1,647	14,664	125,777	247,844
Liabilities & Fund Balances						
Liabilities:						
Accounts payable	-	661	-	-	22,948	23,609
Deferred revenue:						
Succeeding year property tax	55,000	-	-	-	-	55,000
Total liabilities	55,000	661	-	-	22,948	78,609
Fund balances:						
Unreserved reported in:						
Special revenue funds	34,337	15,758	1,647	14,664	-	66,406
Capital project funds	-	-	-	-	102,829	102,829
Total fund equity	34,337	15,758	1,647	14,664	102,829	169,235
Total liabilities and fund balances	89,337	16,419	1,647	14,664	125,777	247,844

AURELIA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Special Revenue Funds				Capital Projects Funds	Total
	Management	Student Activity Fund	67.5 Cent Levy	District Support Trust Funds	Local Option Sales and Services Tax	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	55,951	-	-	-	142,921	198,872
Other	461	92,378	931	3,220	-	96,990
State sources	44	-	-	-	-	44
Total revenues	<u>56,456</u>	<u>92,378</u>	<u>931</u>	<u>3,220</u>	<u>142,921</u>	<u>295,906</u>
Expenditures:						
Current:						
Instruction:						
Regular instruction	17,577	-	-	-	-	17,577
Other instruction	-	106,139	-	-	-	106,139
Support services:						
Student services	783	-	-	2,125	-	2,908
Instructional staff services	3,558	-	-	-	-	3,558
Administration services	10,593	-	-	-	-	10,593
Operation and maintenance of plant services	8,986	-	-	-	-	8,986
Transportation services	12,063	-	-	-	-	12,063
Non-instructional programs	878	-	-	-	-	878
Other expenditures:						
Facilities acquisition	-	-	13,761	-	40,092	53,853
Total expenditures	<u>54,438</u>	<u>106,139</u>	<u>13,761</u>	<u>2,125</u>	<u>40,092</u>	<u>216,555</u>
Excess (deficiency) of revenues over (under) expenditures	2,018	(13,761)	(12,830)	1,095	102,829	79,351
Other financing sources (uses):						
Operating transfers in	-	12,412	-	-	-	12,412
Net changes in fund balances	2,018	(1,349)	(12,830)	1,095	102,829	91,763
Fund balance beginning of year	<u>32,319</u>	<u>17,107</u>	<u>14,477</u>	<u>13,569</u>	<u>-</u>	<u>77,472</u>
Fund balance end of year	<u><u>34,337</u></u>	<u><u>15,758</u></u>	<u><u>1,647</u></u>	<u><u>14,664</u></u>	<u><u>102,829</u></u>	<u><u>169,235</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
Drama	2,083	622	693	-	2,012
HS Thespian Troupe	129	1,902	1,991	-	40
Speech	40	-	-	-	40
Vocal	612	393	426	-	579
Instrumental music	613	1,012	1,520	-	105
Wrestling	-	2,978	3,188	210	-
Honor Society	192	583	748	-	27
Music fund raiser	148	-	86	-	62
Interest	194	100	-	(25)	269
Positive	109	-	-	(109)	-
Travel group	183	-	-	255	438
NASA	147	903	1,213	163	-
Chess club	-	50	-	155	205
F.C.S.	-	2,417	692	-	1,725
JH sports	-	2,950	2,950	-	-
Annual staff	4,658	7,060	8,643	255	3,330
K-8 student council	482	4,619	3,661	(847)	593
Student council	1,681	14,721	13,125	(1,674)	1,603
Got milk	-	5,095	3,921	(63)	1,111
MS relief	-	450	407	(43)	-
Aurelia sports	-	37,099	37,034	(65)	-
Wr Cheerleaders	60	100	435	310	35
Cheerleaders	583	898	1,234	450	697
Drill team	1,693	2,027	2,315	620	2,025
Class of 2005	4,407	4,727	9,387	253	-
Class of 2006	443	13,203	13,129	155	672
Class of 2007	135	822	115	-	842
Class of 2008	-	54	50	-	4
Beginning accruals	(1,485)	-	(1,485)	-	-
Ending accruals	-	5	661	-	(656)
Totals	17,107	104,790	106,139	-	15,758

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2005

	Flower Fund \$
Balance beginning of year	312
Additions:	
Collections	230
Deductions:	
Miscellaneous	<u>225</u>
Balance end of year	<u><u>317</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Fund Types
For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,482,719	1,471,722	1,400,408	1,362,997
Tuition	75,306	64,989	77,439	54,745
Other	121,946	108,393	107,951	109,779
State sources	1,162,500	1,028,568	1,172,964	1,155,497
Federal sources	125,854	119,604	66,586	55,663
	<u>2,968,325</u>	<u>2,793,276</u>	<u>2,825,348</u>	<u>2,738,681</u>
Expenditures:				
Instruction:				
Regular instruction	1,192,229	1,224,065	1,254,009	1,291,047
Special instruction	200,074	203,505	191,525	239,632
Other instruction	398,720	342,738	338,009	316,732
Support services:				
Student services	74,287	74,275	50,819	63,869
Instructional staff services	5,952	13,312	28,350	39,158
Administration services	325,066	323,699	327,800	305,261
Operation and maintenance of plant services	260,474	242,966	225,585	219,572
Transportation services	77,309	132,698	88,970	87,451
Non-instructional programs	13,840	12,410	10,907	13,310
Other expenditures:				
Facilities acquisition	164,241	49,826	31,803	144,892
AEA flowthrough	98,571	100,004	108,391	108,262
	<u>2,810,763</u>	<u>2,719,498</u>	<u>2,656,168</u>	<u>2,829,186</u>

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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
Aurelia 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 Aurelia 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 14, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

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

November 14, 2005

AURELIA 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.

05-I-B Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The stamps are under the care, custody and control of the administrative office. This practice negates the internal control procedure established by requiring two signatures on a check

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

AURELIA 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 recorded in the minutes during the year ended June 30, 2005.

Recommendation: The District should record the official depository amounts in the minutes each year.

District Response: We will record the amount of our depository resolutions in the minutes in the future.

Conclusion: Response accepted.

05-II-B Certified Budget: Disbursements for the year ended June 30, 2005, exceeded the amount budgeted in the non-instructional programs functional area.

Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

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

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

05-II-E Business Transactions: We noted no transactions between the District and District officials or employees.

05-II-F Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of 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. We did note that the minutes were not published in a timely manner as required by the Code of Iowa.

Recommendation: Minutes should be published within two weeks of the meeting as required by the Code of Iowa.

District Response: We will get the minutes to the publisher sooner.

Conclusion: Response accepted.

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

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

05-II-H Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education on Line 8 of the Certified Enrollment Certification Form for September 2004, was overstated by 1 student.

Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

District Response: We will contact these departments.

Conclusion: Response accepted.

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 filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

05-II-K Public Hearing: The Code of Iowa requires that schools hold a public hearing for all capital improvements with a cost exceeding \$25,000. We noted that the Board approved a capital improvement without holding a public hearing.

Recommendation: The District should hold public hearings for all capital projects with cost in excess of \$25,000.

District Response: We will do this in the future.

Conclusion: Response accepted.