

EXIRA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15-16
Governmental Fund Financial Statements:		
Balance Sheet	C	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	18
Statement of Revenues, Expenditures and Changes in Fund Balances	E	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	20
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	21
Statement of Revenues, Expenses and Changes in Net Assets	H	22
Statement of Cash Flows	I	23
Fiduciary Fund Financial Statements:		
Statement of Net Assets	J	24
Statement of Changes in Net Assets	K	25
Notes to Financial Statements		26-36
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		37-38
Budgetary Comparison Schedule - Budget to GAAP Reconciliation		39
Notes to Required Supplementary Information - Budgetary Reporting		40
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	42
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	43
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4	44
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		45-46
Schedule of Findings		47-48

Exira Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Vicky Sorensen	President	2005
Denise Walker	Vice-President	2005
Tom Christofferson	Board Member	2004
Paul Christensen	Board Member	2006
Tom Benton	Board Member	2006

Board of Education  
(After September 2004 Election)

Vicky Sorensen	President	2005
Denise Walker	Vice President	2005
Tom Christofferson	Board Member	2007
Paul Christensen	Board Member	2006
Tom Benton	Board Member	2006

School Officials

Charles Johnson	Superintendent	2005
Shirley Garnett	District Secretary and District Treasurer	2005
Rick Franck	Attorney	2005

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Exira Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Exira Community School District, Exira, 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 Exira Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

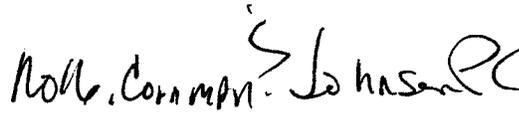
In accordance with Government Auditing Standards, we have also issued our reports dated October 18, 2005 on our consideration of Exira Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of these reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 37 through 40 are not required parts of the basic financial statements, but are supplementary

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Exira Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

October 18, 2005

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Exira 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 \$2,503,653 in fiscal 2004 to \$2,557,426 in fiscal 2005, while General Fund expenditures increased from \$2,547,503 in fiscal 2004 to \$2,572,362 in fiscal 2005. This resulted in a decrease in the District's General Fund balance from \$345,508 in fiscal 2004 to a balance of \$330,572 in fiscal 2005, a 4.32% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in state sources in fiscal 2005. The increase in expenditures was due primarily to an increase in the support services functional area.

### **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 Exira 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 Exira 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 Exira Community School District acts solely as an agent or custodial for the benefit of those outside of District government.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

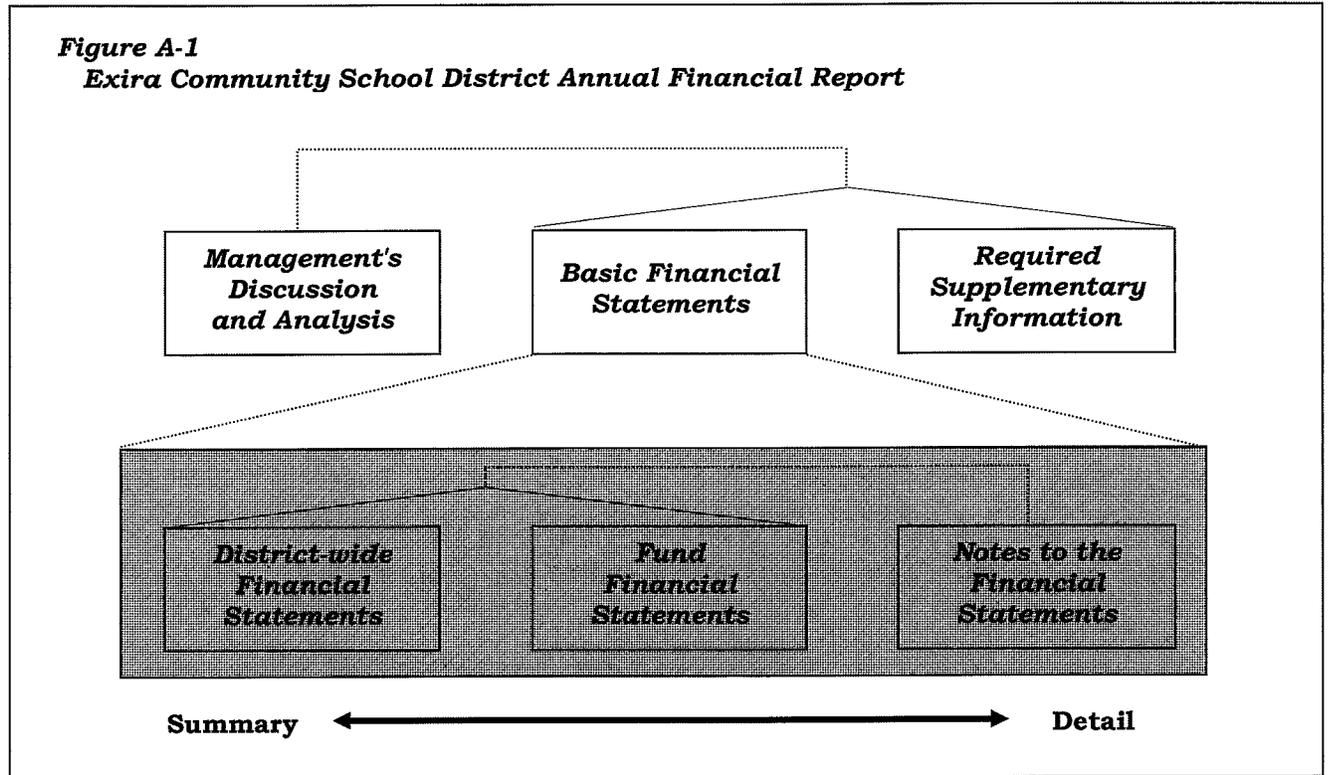


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

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

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

Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 2,240,372	1,786,177	5,586	6,454	2,245,958	1,792,631	25.29%
Capital assets	898,072	639,483	7,289	8,145	905,361	647,628	39.80%
Total assets	3,138,444	2,425,660	12,875	14,599	3,151,319	2,440,259	29.14%
Long-term obligations	284,658	317,803	0	0	284,658	317,803	-10.43%
Other liabilities	1,625,101	1,237,261	0	0	1,625,101	1,237,261	31.35%
Total liabilities	1,909,759	1,555,064	0	0	1,909,759	1,555,064	22.81%
Net assets:							
Invested in capital assets, net of related debt	716,978	470,950	7,289	8,145	724,267	479,095	51.17%
Restricted	162,900	19,668	0	0	162,900	19,668	728.25%
Unrestricted	348,807	379,978	5,586	6,454	354,393	386,432	-8.29%
Total net assets	\$ 1,228,685	870,596	12,875	14,599	1,241,560	885,195	40.26%

The District's combined net assets increased by 40.26%, or \$356,365, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$143,232, or 728.25% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$32,039, or 8.29%.

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

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 217,818	166,172	56,116	49,044	273,934	215,216	27.28%
Operating grants and contributions and restricted interest	314,757	332,944	53,465	54,935	368,222	387,879	-5.07%
General revenues:							
Property tax	1,059,988	1,198,220	0	0	1,059,988	1,198,220	-11.54%
Local option sales and services tax	142,084	0	0	0	142,084	0	100.00%
Unrestricted state grants	1,171,639	1,020,709	0	0	1,171,639	1,020,709	14.79%
Other	(3,227)	21,712	38	25	(3,189)	21,737	-114.67%
Total revenues	<u>2,903,059</u>	<u>2,739,757</u>	<u>109,619</u>	<u>104,004</u>	<u>3,012,678</u>	<u>2,843,761</u>	<u>5.94%</u>
Program expenses:							
Governmental activities:							
Instructional	1,818,316	1,872,891	0	0	1,818,316	1,872,891	-2.91%
Support services	736,703	705,716	0	0	736,703	705,716	4.39%
Non-instructional programs	122	1,891	111,343	103,170	111,465	105,061	6.10%
Other expenses	296,789	195,993	0	0	296,789	195,993	51.43%
Total expenses	<u>2,851,930</u>	<u>2,776,491</u>	<u>111,343</u>	<u>103,170</u>	<u>2,963,273</u>	<u>2,879,661</u>	<u>2.90%</u>
Changes in net assets	51,129	(36,734)	(1,724)	834	49,405	(35,900)	-237.62%
Beginning net assets, as restated (Note 10)	<u>1,177,556</u>	<u>907,330</u>	<u>14,599</u>	<u>13,765</u>	<u>1,192,155</u>	<u>921,095</u>	<u>29.43%</u>
Ending net assets	<u>\$ 1,228,685</u>	<u>870,596</u>	<u>12,875</u>	<u>14,599</u>	<u>1,241,560</u>	<u>885,195</u>	<u>40.26%</u>

Property tax and unrestricted state grants account for 74% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 86% of the total expenses.

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

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

The District makes a continual effort to be a good steward of public funds and maintains a philosophy of providing the best education possible, exploring every avenue available to fund

the programs, while making certain to keep watch for services that could be merged with other programs.

**Governmental Activities**

Revenues for governmental activities were \$2,903,059 and expenses were \$2,851,930. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 1,818,316	1,379,723
Support services	736,703	736,703
Non-instructional programs	122	122
Other expenses	296,789	202,807
Totals	<u>\$ 2,851,930</u>	<u>2,319,355</u>

- The cost financed by users of the District’s programs was \$217,818.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$314,757.
- The net cost of governmental activities was financed with \$1,059,988 in property tax, \$142,084 in local option sales and services tax, \$1,171,639 in state foundation aid and \$19,872 in interest income.

**Business-Type Activities**

Revenues of the District’s business-type activities were \$109,619 and expenses were \$111,343. The District’s business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

**INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$563,257, above last year’s ending fund balance of \$485,619. The primary reason for the increase in combined fund balance in fiscal 2005 is due to the local option sales and services tax monies.

**Governmental Fund Highlights**

- The District’s declining General Fund financial position is the product of many factors:

- Even though the increase in revenues during fiscal year 2005 was more than the increase in expenditures, the prior year decrease in the General Fund balance caused the balance to decrease in fiscal year 2005.

### Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$14,599 at June 30, 2004 to \$12,875 at June 30, 2005, representing a decrease of 11.81%.

### BUDGETARY HIGHLIGHTS

The District's revenues were \$15,634 more than budgeted revenues, a variance of .52%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

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

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2005, the District had invested \$905,361, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 5.44% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$138,643.

The original cost of the District's capital assets was \$2,013,502. Governmental funds account for \$1,959,285 with the remainder of \$54,217 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$552,501 at June 30, 2005, compared to \$593,310 reported at June 30, 2004.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total Change
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
Land	\$ 19,493	19,493	0	0	19,493	19,493	0.00%
Buildings	552,501	593,310	0	0	552,501	593,310	-7.39%
Land improvements	11,251	11,951	0	0	11,251	11,951	-6.22%
Machinery and equipment	314,827	321,689	7,289	8,145	322,116	329,834	-2.40%
Total	\$ 898,072	946,443	7,289	8,145	905,361	954,588	-5.44%

#### Long-Term Debt

At June 30, 2005, the District had \$284,658 on long-term debt outstanding. This represents a decrease of 10.4% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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The District had \$265,000 in capital loan note indebtedness at June 30, 2005.

The District had \$19,658 in early retirement payable at June 30, 2005.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
Capital loan note	\$ 265,000	295,000	-10.2%
Early Retirement	19,658	22,803	-13.8%
Totals	<u>\$ 284,658</u>	<u>317,803</u>	<u>-10.4%</u>

### **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:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.

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## **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 Shirley Garnett, District Board Secretary, Exira Community School District, P.O. Box 335, Exira, Iowa, 50076.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments			
ISCAP (Note 4)	\$ 449,567	0	449,567
Other	609,327	3,663	612,990
Receivables:			
Property tax:			
Delinquent	16,672	0	16,672
Succeeding year	1,026,804	0	1,026,804
Income surtax	52,705	0	52,705
Interfund	0	0	0
Accounts	24,616	0	24,616
Accrued interest - ISCAP (Note 4)	3,720	0	3,720
Due from other governments	56,961	0	56,961
Inventories	0	1,923	1,923
Capital assets, net of accumulated depreciation (Note 5)	898,072	7,289	905,361
<b>TOTAL ASSETS</b>	<b>3,138,444</b>	<b>12,875</b>	<b>3,151,319</b>
<b>LIABILITIES</b>			
Excess of warrants issued over bank balance	50,239	0	50,239
Accounts payable	76,839	0	76,839
Salaries and benefits payable	14,530	0	14,530
ISCAP warrants payable (Note 4)	448,000	0	448,000
ISCAP accrued interest payable (Note 4)	4,010	0	4,010
ISCAP unamortized premium	3,988	0	3,988
Accrued interest payable	691	0	691
Deferred revenue:			
Succeeding year property tax	1,026,804	0	1,026,804
Long-term liabilities (Note 6):			
Portion due within one year:			
Capital loan notes payable	60,000	0	60,000
Early retirement payable	3,145	0	3,145
Portion due after one year:			
Capital loan notes payable	205,000	0	205,000
Early retirement payable	16,513	0	16,513
<b>TOTAL LIABILITIES</b>	<b>1,909,759</b>	<b>0</b>	<b>1,909,759</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	716,978	7,289	724,267
Restricted for:			
Capital projects	142,084	0	142,084
Other special revenue purposes	20,816	0	20,816
Unrestricted	348,807	5,586	354,393
<b>TOTAL NET ASSETS</b>	<b>\$ 1,228,685</b>	<b>12,875</b>	<b>1,241,560</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 1,401,132	217,818	220,775
Special instruction	274,345	0	0
Other instruction	142,839	0	0
	<u>1,818,316</u>	<u>217,818</u>	<u>220,775</u>
Support services:			
Student services	67,789	0	0
Instructional staff services	96,062	0	0
Administration services	295,432	0	0
Operation and maintenance of plant services	256,698	0	0
Transportation services	20,722	0	0
	<u>736,703</u>	<u>0</u>	<u>0</u>
Non-instructional programs:			
Community service operations	122	0	0
Other expenditures:			
Facilities and acquisitions	151,776	0	0
Long-term debt interest	9,522	0	0
AEA flowthrough	93,982	0	93,982
Depreciation(unallocated) *	41,509	0	0
	<u>296,789</u>	<u>0</u>	<u>93,982</u>
Total governmental activities	2,851,930	217,818	314,757
Business-Type activities:			
Non-instructional programs:			
Nutrition services	111,343	56,116	53,465
Total business-type activities	<u>111,343</u>	<u>56,116</u>	<u>53,465</u>
Total	<u>\$ 2,963,273</u>	<u>273,934</u>	<u>368,222</u>

**General Revenues:**

Local tax for:  
  General purposes  
  Capital outlay  
  Local option sales and services tax  
Unrestricted state grants  
Unrestricted investment earnings  
Loss on disposal of fixed assets

Total general revenues

Changes in net assets

Net assets beginning of year, as restated (Note 10)

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(962,539)	0	(962,539)
(274,345)	0	(274,345)
(142,839)	0	(142,839)
<u>(1,379,723)</u>	<u>0</u>	<u>(1,379,723)</u>
(67,789)	0	(67,789)
(96,062)	0	(96,062)
(295,432)	0	(295,432)
(256,698)	0	(256,698)
(20,722)	0	(20,722)
<u>(736,703)</u>	<u>0</u>	<u>(736,703)</u>
(122)	0	(122)
(151,776)	0	(151,776)
(9,522)	0	(9,522)
0	0	0
(41,509)	0	(41,509)
<u>(202,807)</u>	<u>0</u>	<u>(202,807)</u>
(2,319,355)	0	(2,319,355)
0	(1,762)	(1,762)
0	(1,762)	(1,762)
<u>(2,319,355)</u>	<u>(1,762)</u>	<u>(2,321,117)</u>
\$ 953,980	0	953,980
106,008	0	106,008
142,084	0	142,084
1,171,639	0	1,171,639
19,872	38	19,910
(23,099)	0	(23,099)
<u>2,370,484</u>	<u>38</u>	<u>2,370,522</u>
51,129	(1,724)	49,405
<u>1,177,556</u>	<u>14,599</u>	<u>1,192,155</u>
<u>\$ 1,228,685</u>	<u>12,875</u>	<u>1,241,560</u>

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments				
ISCAP (Note 4)	\$ 449,567	0	0	449,567
Other	377,819	92,391	139,117	609,327
Receivables:				
Property tax:				
Delinquent	14,294	0	2,378	16,672
Succeeding year	869,363	0	157,441	1,026,804
Income surtax	52,705	0	0	52,705
Accounts	24,524	0	92	24,616
Accrued interest - ISCAP (Note 4)	3,720	0	0	3,720
Due from other governments	7,268	49,693	0	56,961
<b>TOTAL ASSETS</b>	<b>\$ 1,799,260</b>	<b>142,084</b>	<b>299,028</b>	<b>2,240,372</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Excess of warrants issued over bank balance	\$ 0	0	50,239	50,239
Accounts payable	76,092	0	747	76,839
Salaries and benefits payable	14,530	0	0	14,530
ISCAP warrants payable (Note 4)	448,000	0	0	448,000
ISCAP accrued interest payable (Note 4)	4,010	0	0	4,010
ISCAP unamortized premium	3,988	0	0	3,988
Deferred revenue:				
Succeeding year property tax	869,363	0	157,441	1,026,804
Income surtax	52,705	0	0	52,705
Total liabilities	1,468,688	0	208,427	1,677,115
Fund balances:				
Unreserved:				
General	330,572	0	0	330,572
Management	0	0	(14,812)	(14,812)
Capital Projects	0	142,084	0	142,084
Physical equipment reserve levy	0	0	84,597	84,597
Other special revenue purposes	0	0	20,816	20,816
Total fund balances	330,572	142,084	90,601	563,257
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,799,260</b>	<b>142,084</b>	<b>299,028</b>	<b>2,240,372</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds (page 17)</b>	\$	563,257
 <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 report as assets in in the governmental funds.		898,072
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		52,705
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(691)
Long-term liabilities, including early retirement and capital loan notes payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(284,658)
		<hr/>
<b>Net assets of governmental activites (page 14)</b>	<b>\$</b>	<b><u><u>1,228,685</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 928,109	142,084	143,270	1,213,463
Tuition	50,198	0	0	50,198
Other	92,723	0	94,769	187,492
State sources	1,381,716	0	0	1,381,716
Federal sources	104,680	0	0	104,680
Total revenues	<u>2,557,426</u>	<u>142,084</u>	<u>238,039</u>	<u>2,937,549</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	1,364,905	0	0	1,364,905
Special instruction	274,345	0	0	274,345
Other instruction	89,449	0	50,492	139,941
	<u>1,728,699</u>	<u>0</u>	<u>50,492</u>	<u>1,779,191</u>
Support services:				
Student services	67,789	0	0	67,789
Instructional staff services	96,062	0	0	96,062
Administration services	295,432	0	0	295,432
Operation and maintenance of plant services	201,844	0	45,651	247,495
Transportation services	88,432	0	0	88,432
	<u>749,559</u>	<u>0</u>	<u>45,651</u>	<u>795,210</u>
Non-instructional programs	<u>122</u>		<u>0</u>	<u>122</u>
Other expenditures:				
Facilities acquisitions	0	0	151,776	151,776
Long-term debt:				
Principal	0	0	30,000	30,000
Interest and fiscal charges	0	0	9,630	9,630
AEA Flowthrough	93,982	0	0	93,982
	<u>93,982</u>	<u>0</u>	<u>191,406</u>	<u>285,388</u>
Total expenditures	<u>2,572,362</u>	<u>0</u>	<u>287,549</u>	<u>2,859,911</u>
Excess (deficiency) of revenues over (under) expenditures	(14,936)	142,084	(49,510)	77,638
Other financing sources (uses):				
Operating transfers in	0	0	39,630	39,630
Operation transfers out	0	0	(39,630)	(39,630)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	(14,936)	142,084	(49,510)	77,638
Fund balance beginning of year	<u>345,508</u>	<u>0</u>	<u>140,111</u>	<u>485,619</u>
Fund balance end of year	<u>\$ 330,572</u>	<u>142,084</u>	<u>90,601</u>	<u>563,257</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Net change in fund balances - total governmental funds (page 19)</b>	\$	77,638
 <b>Amounts reported for governmental activities in the statement of activities are different because:</b>		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	\$ 111,990	
Depreciation expense	(137,262)	
Loss on disposal of capital assets	<u>(23,099)</u>	(48,371)
 Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		
		30,000
 Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		108
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		
		(11,391)
 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>3,145</u>
<b>Changes in net assets of governmental activities (page 16)</b>	<b>\$</b>	<b><u>51,129</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Business-Type                      Activities                      Enterprise:                      Fund                      School                      Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 3,663
Inventories	1,923
Capital assets, net of accumulated depreciation(Note 5)	7,289
TOTAL ASSETS	<u>12,875</u>
LIABILITIES	
Deferred revenue:	
Other	0
TOTAL LIABILITIES	<u>0</u>
NET ASSETS	
Investment in capital assets, net of related debt	7,289
Unrestricted	5,586
TOTAL NET ASSETS	<u>\$ 12,875</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business-Type Activites: Enterprise Fund School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 56,116
TOTAL OPERATING REVENUES	56,116
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	45,448
Benefits	5,794
Supplies	58,720
Depreciation	1,381
TOTAL OPERATING EXPENSES	111,343
OPERATING LOSS	(55,227)
NON-OPERATING REVENUES:	
State sources	1,702
Federal sources	51,763
Interest on investments	38
TOTAL NON-OPERATING REVENUES	53,503
Change in net assets	(1,724)
Net assets beginning of year	14,599
Net assets end of year	\$ 12,875

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business-Type Activites: Enterprise Fund School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 54,669
Cash received from miscellaneous	1,447
Cash payments to employees for services	(51,242)
Cash payments to suppliers for goods or services	(53,213)
Net cash used in operating activities	(48,339)
Cash flows from non-capital financing activities:	
State grants received	1,702
Federal grants received	45,618
Net cash provided by non-capital financing activities	47,320
Cash flows from capital and related financing activities:	
Purchase of capital assets	(525)
Net cash used in capital and related financing activities	(525)
Cash flows from investing activities:	
Interest on investments	38
Net cash provided by investing activities	38
Net decrease in cash and cash equivalents	(1,506)
Cash and cash equivalents at beginning of year	5,169
Cash and cash equivalents at end of year	\$ 3,663
Reconciliation of operating loss to net cash used in operating activities:	
Operating gain (loss)	\$ (55,227)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	6,145
Depreciation	1,381
Increase in inventories	(638)
Net cash provided by (used in) operating activities	\$ (48,339)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 3,663

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at \$6,145.

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2005

	Private Purpose Trust
	Scholarship
Assets	
Cash and pooled investments	\$ 251,087
Accrued interest receivable	5,539
Total assets	<u>256,626</u>
Liabilities	
Total liabilities	<u>0</u>
Net assets	<u>\$ 256,626</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2005

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 256,498
Interest income	128
Total additions	<u>256,626</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>0</u>
Change in net assets	256,626
Net assets beginning of year	<u>0</u>
Net assets end of year	<u><u>\$ 256,626</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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

The Exira Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Exira, Iowa, and the predominate agricultural territory in Guthrie, Audubon and Cass 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, Exira Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Exira Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared

revenues, grants and reimbursements from other governments.

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

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

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

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

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

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

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

At June 30, 2005, the District had investments in certificates of deposits as follows:

	<u>Amortized Cost</u>
Iowa Schools Joint Investment Trust	<u>\$ 590,146</u>

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

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

**(3) Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	PPEL	\$ 39,630

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Iowa School Cash Anticipation Program (ISCAP)**

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

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05B	1/28/2005	1/27/2006	\$ 271,783	3,682	271,000	3,976
2005-06A	6/30/2005	6/30/2006	177,784	38	177,000	34
Total			\$ 449,567	3,720	448,000	4,010

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

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05B	3.500%	2.280%
2005-06A	3.500%	3.903%

(5) Capital Assets

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

	Balance Beg. Of Year, as restated (Note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 19,493	0	0	19,493
Total capital assets not being depreciated	<u>19,493</u>	<u>0</u>	<u>0</u>	<u>19,493</u>
Capital assets being depreciated:				
Buildings	1,261,056	0	0	1,261,056
Land improvements	13,991	0	0	13,991
Machinery and equipment	615,153	111,990	62,398	664,745
Total capital assets being depreciated	<u>1,890,200</u>	<u>111,990</u>	<u>62,398</u>	<u>1,939,792</u>
Less accumulated depreciation for:				
Buildings	667,746	40,809	0	708,555
Land improvements	2,040	700	0	2,740
Machinery and equipment	293,464	95,753	39,299	349,918
Total accumulated depreciation	<u>963,250</u>	<u>137,262</u>	<u>39,299</u>	<u>1,061,213</u>
Total capital assets being depreciated, net	<u>926,950</u>	<u>(25,272)</u>	<u>23,099</u>	<u>878,579</u>
Governmental activities capital assets, net	<u>\$ 946,443</u>	<u>(25,272)</u>	<u>23,099</u>	<u>898,072</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 53,692	525	0	54,217
Less accumulated depreciation	45,547	1,381	0	46,928
Business-type activities capital assets, net	<u>\$ 8,145</u>	<u>(856)</u>	<u>0</u>	<u>7,289</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 39,372
Other	2,898
Support services:	
Operation and maintenance	9,203
Transportation	44,280
	<u>95,753</u>
Unallocated depreciation	<u>41,509</u>
Total governmental activities depreciation expense	<u>\$ 137,262</u>
Business-type activities:	
Food services	\$ 1,381
Total business-type activities depreciation expense	<u>\$ 1,381</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Capital loan note	\$ 295,000	0	30,000	265,000	60,000
Early Retirement	22,803	0	3,145	19,658	3,145
Total	\$ 317,803	0	33,145	284,658	63,145

Capital Loan Note

During the year, the District obtained financing for a new roof, with a capital loan note for \$325,000. The repayment of this loan will be with PPEL revenues. Details of the District's capital loan note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Issue date August 1, 2003		
		Principal	Interest	Total
2006	3.25	\$ 60,000	\$ 8,288	68,288
2007	3.25	60,000	6,663	66,663
2008	3.25	70,000	4,712	74,712
2009	3.25	75,000	2,438	77,438
Total		\$ 265,000	22,101	287,101

Early Retirement

The District offers a voluntary early retirement plan to its licensed employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The school District will pay the cost of the single premium at the level it was when the employee retired. Early retirement expenditures for the year ended June 30, 2005 totaled \$3,145.

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by

State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$83,382, \$85,977, and \$83,666 respectively, equal to the required contributions for each year.

**(8) Risk Management**

The District is a member in the Iowa School Employees 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-funded to fully-insured coverage. ISEBA is recovering shortfall through a combination of assessments, deficit recovery charges and administration 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 \$5,187 paid with the 2004-2005 premiums and 2% of the 2005-2006 premium will be paid along with the 2005-2006 premium, an amount that is unknown at this time. Since the program is now fully insured, there will be no additional assessments dues 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 \$259,332.

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

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$93,982 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Accounting Restatement**

This restatement is due to asset listing errors. The restatement of the capital assets and net assets are as follows:

	Balance 6/30/2004 as Previously Reported	Increases	Decreases	Balance 7/1/2004 as Restated
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 19,493	0	0	19,493
Total capital assets not being depreciated	<u>19,493</u>	<u>0</u>	<u>0</u>	<u>19,493</u>
Capital assets being depreciated:				
Buildings	741,857	519,199	0	1,261,056
Land improvements	533,190	0	519,199	13,991
Machinery and equipment	613,217	1,936	0	615,153
Total capital assets being depreciated	<u>1,888,264</u>	<u>521,135</u>	<u>519,199</u>	<u>1,890,200</u>
Less accumulated depreciation for:				
Buildings	605,029	62,717	0	667,746
Land improvements	73,059	0	71,019	2,040
Machinery and equipment	590,186	0	296,722	293,464
Total accumulated depreciation	<u>1,268,274</u>	<u>62,717</u>	<u>367,741</u>	<u>963,250</u>
Total capital assets being depreciated, net	<u>619,990</u>	<u>458,418</u>	<u>151,458</u>	<u>926,950</u>
Governmental activities capital assets, net	<u>\$ 639,483</u>	<u>458,418</u>	<u>151,458</u>	<u>946,443</u>

The effect of the adjustment to restate the capital assets results in a change to the previously reported governmental activities, net assets as follows:

Net assets, June 30, 2004, as previously reported	\$ 870,596
Capital assets adjustment, net	<u>306,960</u>
Net assets, July 1, 2004, as restated	<u>\$ 1,177,556</u>

**(11) Deficit Fund Balance**

The Special Revenue - Management Fund had a deficit undesignated balance of \$14,812 at June 30, 2005.

REQUIRED SUPPLEMENTAL INFORMATION

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

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 1,451,011	56,154
State sources	1,369,980	1,702
Federal sources	102,518	51,763
Total revenues	<u>2,923,509</u>	<u>109,619</u>
Disbursements:		
Instruction	1,766,183	0
Support services	734,685	0
Non-instructional programs	6,051	111,125
Other expenditures	310,072	0
Total expenditures	<u>2,816,991</u>	<u>111,125</u>
Excess(deficiency) of receipts over(under) disbursements	106,518	(1,506)
Other financing sources, net	<u>0</u>	<u>0</u>
Excess(deficiency) of receipts over(under) disbursements	106,518	(1,506)
Balance beginning of year	<u>452,570</u>	<u>5,169</u>
Balance end of year	<u>\$ 559,088</u>	<u>3,663</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
1,507,165	1,347,339	1,347,339	159,826
1,371,682	1,415,055	1,415,055	(43,373)
154,281	255,100	255,100	(100,819)
<u>3,033,128</u>	<u>3,017,494</u>	<u>3,017,494</u>	<u>15,634</u>
1,766,183	2,415,002	2,415,002	648,819
734,685	749,240	749,240	14,555
117,176	123,063	123,063	5,887
310,072	411,332	411,332	101,260
<u>2,928,116</u>	<u>3,698,637</u>	<u>3,698,637</u>	<u>770,521</u>
105,012	(681,143)	(681,143)	(786,155)
0	0	0	0
105,012	(681,143)	(681,143)	(786,155)
457,739	954,089	954,089	(496,350)
<u>562,751</u>	<u>272,946</u>	<u>272,946</u>	<u>289,805</u>

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

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 2,923,509	14,040	2,937,549
Expenditures	2,816,991	42,920	2,859,911
Net	106,518	(28,880)	77,638
Other financing sources, net	0	0	0
Beginning fund balances	452,570	33,049	485,619
Ending fund balances	\$ 559,088	4,169	563,257

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 109,619	0	109,619
Expenditures	111,125	218	111,343
Net	(1,506)	(218)	(1,724)
Other financing sources, net	0	0	0
Beginning fund balances	5,169	9,430	14,599
Ending fund balances	\$ 3,663	9,212	12,875

EXIRA COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2005

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

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

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

OTHER SUPPLEMENTAL INFORMATION

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

	Special Revenue Funds			
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
<b>ASSETS</b>				
Cash and pooled investments	\$ 34,814	21,471	82,832	139,117
Receivables:				
Property tax:				
Current year delinquent	613	0	1,765	2,378
Succeeding year	48,000	0	109,441	157,441
Accounts	0	92	0	92
<b>TOTAL ASSETS</b>	<b>\$ 83,427</b>	<b>21,563</b>	<b>194,038</b>	<b>299,028</b>
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities:				
Excess of warrants issued over bank balance	\$ 50,239	0	0	50,239
Accounts payable	0	747	0	747
Deferred revenue:				
Succeeding year property tax	48,000	0	109,441	157,441
<b>TOTAL LIABILITIES</b>	<b>98,239</b>	<b>747</b>	<b>109,441</b>	<b>208,427</b>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	(14,812)	20,816	84,597	90,601
Total fund balances	(14,812)	20,816	84,597	90,601
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 83,427</b>	<b>21,563</b>	<b>194,038</b>	<b>299,028</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds					Total
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 37,262	0	106,008	143,270	0	143,270
Other	0	52,040	42,729	94,769	0	94,769
TOTAL REVENUES	37,262	52,040	148,737	238,039	0	238,039
EXPENDITURES:						
Current:						
Instruction:						
Other instruction	0	50,492	0	50,492	0	50,492
Support services:						
Operation and maintenance of plant services	45,651	0	0	45,651	0	45,651
Other expenditures:						
Facilities acquisitions	0	0	151,776	151,776	0	151,776
Long-term debt:						
Principal	0	0	0	0	30,000	30,000
Interest and fiscal charges	0	0	0	0	9,630	9,630
TOTAL EXPENDITURES	45,651	50,492	151,776	247,919	39,630	287,549
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(8,389)	1,548	(3,039)	(9,880)	(39,630)	(49,510)
OTHER FINANCING SOURCES (USES):						
Operating transfers in	0	0	0	0	39,630	39,630
Operating transfers out	0	0	(39,630)	(39,630)	0	(39,630)
TOTAL OTHER FINANCING SOURCES (USES)	0	0	(39,630)	(39,630)	39,630	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(8,389)	1,548	(42,669)	(49,510)	0	(49,510)
FUND BALANCE BEGINNING OF YEAR	(6,423)	19,268	127,266	140,111	0	140,111
FUND BALANCE END OF YEAR	\$ (14,812)	20,816	84,597	90,601	0	90,601

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Art	\$ 169	1,357	389	1,137
Athletics	6,620	32,592	32,048	7,164
Cheerleading	824	1,665	1,896	593
Drill Team	1,053	1,726	1,143	1,636
Leadership Club	329	231	170	390
Student Council	330	1,111	745	696
FFA	2,324	43	0	2,367
Pals	49	231	230	50
Spanish	68	1	(1)	70
National Honor Society	0	150	170	(20)
Faces	680	429	760	349
Science Club	475	802	916	361
Class of 2004	264	0	264	0
Class of 2005	1,255	42	1,099	198
Class of 2006	891	5,765	6,107	549
Class of 2007	1,101	25	24	1,102
Class of 2008	2,825	51	1	2,875
Class of 2009	11	5,335	4,057	1,289
Class of 2010	0	10	0	10
Band	0	474	474	0
<b>Total</b>	<b>\$ 19,268</b>	<b>52,040</b>	<b>50,492</b>	<b>20,816</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 1,213,463	1,019,143	923,642	923,225
Tuition	50,198	228,444	56,239	62,503
Other	187,492	259,823	220,142	182,346
Intermediate sources	0	8,501	11,424	44,594
State sources	1,381,716	1,243,062	1,364,975	1,363,533
Federal sources	104,680	226,247	176,280	127,270
<b>Total</b>	<b>\$ 2,937,549</b>	<b>2,985,220</b>	<b>2,752,702</b>	<b>2,703,471</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	\$ 1,364,905	1,332,693	1,165,088	1,249,294
Special instruction	274,345	360,844	316,745	345,714
Other instruction	139,941	358,266	340,732	304,526
Support services:				
Student services	67,789	41,595	22,290	22,191
Instructional staff services	96,062	59,972	55,609	55,230
Administration services	295,432	281,365	259,333	261,651
Operation and maintenance of plant services	247,495	214,094	198,537	186,133
Transportation services	88,432	108,074	168,295	96,646
Central services	0	954	278	363
Non-instructional programs	122	3,425	8,384	7,250
Other expenditures:				
Facilities acquisitions	151,776	63,857	68,678	325,389
Long-term debt:				
Principal	30,000	0	0	0
Interest	9,630	0	0	0
AEA flow-through	93,982	90,188	98,455	98,577
<b>Total</b>	<b>\$ 2,859,911</b>	<b>2,915,327</b>	<b>2,702,424</b>	<b>2,952,964</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

### Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

### Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the  
Exira 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 Exira 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 October 18, 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 Exira Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

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

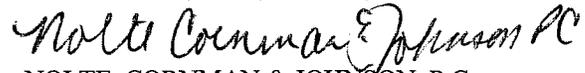
#### Compliance and Other Matters

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Exira Community School District and other parties to whom Exira Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

October 18, 2005

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

Part I: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITIONS:

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

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

Response - The District will review their control procedures and obtain the maximum internal control possible with our limited number of employees.

Conclusion - Response accepted.

I-B-05 Nutrition Fixed Assets - We noted during our audit that although a Nutrition Fund fixed asset listing was kept, the accumulated depreciation was calculated incorrectly. The District used the remaining value left to be depreciated as the accumulated depreciation amount on these assets.

Recommendation - The District should review its procedures in calculating accumulated depreciation for these assets to ensure that the accumulated depreciation is properly calculated.

Response - The District will review their procedures and insure that accumulated depreciation is calculated properly.

Conclusion - Response accepted.

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

Part II: Other Findings Related to Statutory Reporting

- II-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, did not exceed the certified budget amounts in the functional areas.
- II-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-05 Business Transactions - No business transactions between the District and District Officials or employees were noted.
- II-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-I-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely. We noted no significant deficiencies in the amounts reported.
- II-K-05 Financial Condition - The District had a deficit undesignated fund balance of \$14,812 in the Management Fund.

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

Response - We will monitor this fund and work on eliminating the deficit balance.

Conclusion - Response accepted.