

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

- Prepared By -

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FREDERICKSBURG COMMUNITY SCHOOL DISTRICT

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FREDERICKSBURG COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2004 Election)		
Marvin Steege	President	2004
Sondra Elliott	Board Member	2006
Steve Neuendorf	Board Member	2006
Richard Haugen	Vice-President	2005
Bill Mulder	Board Member	2004

<u>Board of Education</u>		
(After September 2004 Election)		
Marvin Steege	President	2007
Sondra Elliott	Board Member	2006
Steve Neuendorf	Board Member	2006
Richard Haugen	Vice-President	2005
Susan Underwood	Board Member	2007

<u>School Officials</u>		
Rick Pederson	Superintendent	June 30, 2006
Marcia Schult	District Secretary/Treasurer	December 31, 2005
John Tremaine	Attorney	June 30, 2006



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INDEPENDENT AUDITOR'S REPORT

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

I 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 Fredericksburg 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. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe my audit provides a reasonable basis for my opinion.

In my 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 the Fredericksburg Community School District at 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, I have also issued my report dated August 10, 2005 on my consideration of the Fredericksburg Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 41 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fredericksburg Community School District's basic financial statements. I 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 my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



August 10, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fredericksburg 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 \$2,488,396 in fiscal 2004 to \$3,511,793 in fiscal 2005, while General Fund expenditures increased from \$2,470,956 in fiscal 2004 to \$3,308,540 in fiscal 2005. The District's General Fund balance increased from \$649,456 in fiscal 2004 to \$852,709 in fiscal 2005, a 30% increase.

The increase in General Fund revenues was attributable to the receipt of funds from Sumner CSD for their whole grade sharing agreement. The increase in expenditures was also due to the whole grade sharing agreement.

A slight increase in interest rates during the past fiscal year, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone increasing from \$4,208 in fiscal 2004 to \$12,184 in fiscal 2005.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Fredericksburg 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 Fredericksburg 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 Fredericksburg 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 statement with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

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

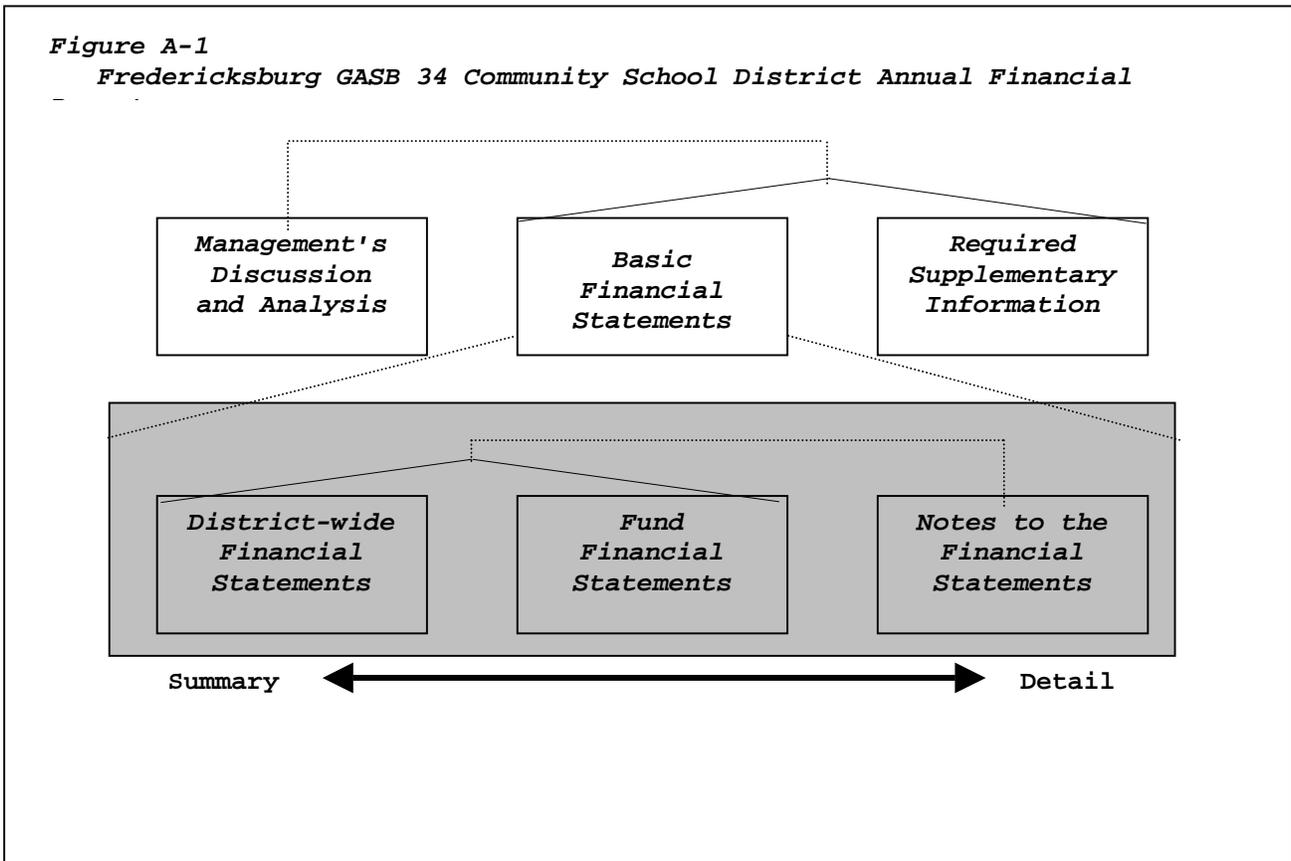


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: 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 	
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 and Special Revenue Funds.

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 Funds.

- 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

The table below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

Condensed Statement of Net Assets								
(Expressed in Thousands)								
	<u>Governmental</u>		<u>Business type</u>		<u>Total</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>District</u>		<u>Change</u>	
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2004 - 2005</u>	
Current and other assets	\$ 2,689	\$ 2,212	\$ 16	\$ 8	\$ 2,705	\$ 2,220	21%	
Capital assets	1,498	1,480	14	17	1,512	1,497	1	
Total assets	<u>\$ 4,187</u>	<u>\$ 3,692</u>	<u>\$ 30</u>	<u>\$ 25</u>	<u>\$ 4,217</u>	<u>\$ 3,717</u>	<u>13</u>	
Long-term liabilities	\$ 410	\$ 510	\$ -	\$ -	\$ 410	\$ 510	(20)%	
Other liabilities	<u>1,293</u>	<u>1,149</u>	<u>2</u>	<u>1</u>	<u>1,295</u>	<u>1,150</u>	<u>13</u>	
Total Liabilities	<u>\$ 1,703</u>	<u>\$ 1,659</u>	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 1,705</u>	<u>\$ 1,660</u>	<u>3%</u>	
Net assets:								
Invested in capital assets, net of related debt	\$ 1,498	\$ 970	\$ 14	\$ 17	\$ 1,512	\$ 987	53%	
Restricted	182	133	-	-	182	133	37	
Unrestricted	<u>804</u>	<u>930</u>	<u>14</u>	<u>7</u>	<u>818</u>	<u>937</u>	<u>(14)</u>	
Total net Assets	<u>\$ 2,484</u>	<u>\$ 2,033</u>	<u>\$ 28</u>	<u>\$ 24</u>	<u>\$ 2,512</u>	<u>\$ 2,057</u>	<u>22%</u>	

The District's combined net assets increased by nearly 22%, or approximately \$446,000, 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 \$49,000, or 37% over the prior year. The decrease was primarily a result of decreased expenditures in the Management Fund.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$128,000, or 14%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

The table below shows the change in net assets for the year ended June 30, 2005.

	Changes in Net Assets					
	(Expressed in Thousands)					
	Governmental Activities		Business Type Activities		Total District	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for service	\$ 1,173	\$ 288	\$ 79	\$ 70	\$1,252	\$ 358
Operating grants, contributions and restricted interest	258	210	63	56	321	266
Capital grants, contributions and restricted interest	-	-	-	-	-	-
General Revenues:						
Property tax	1,280	1,358	-	-	1,280	1,358
Local option sales and service tax	154	116	-	-	154	116
Unrestricted state grants	998	1,023	-	-	998	1,023
Unrestricted investment						
Earnings	15	5	-	-	15	5
Other	126	90	-	-	126	90
Total revenues	<u>\$ 4,004</u>	<u>\$ 3,090</u>	<u>\$ 142</u>	<u>\$ 126</u>	<u>\$4,146</u>	<u>\$3,216</u>
Program expenses:						
Governmental activities:						
Instruction	\$ 2,492	\$ 1,719	\$ -	\$ -	\$2,492	\$1,719
Support services	858	855	-	-	858	855
Non-instructional programs	-	-	138	134	138	134
Other expenses	203	308	-	-	203	308
Total expenses	<u>\$ 3,553</u>	<u>\$ 2,882</u>	<u>\$ 138</u>	<u>\$ 134</u>	<u>\$3,691</u>	<u>\$3,016</u>
Change in net assets	<u>\$ 451</u>	<u>\$ 208</u>	<u>\$ 4</u>	<u>\$ (8)</u>	<u>\$ 455</u>	<u>\$ 200</u>

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

Governmental Activities

Revenues for governmental activities were \$4,033,599 and expenses were \$3,670,662. 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.

	Total and Net Cost of Governmental Activities	
	(Expressed in Thousands)	
	Total Cost of Services	Net Cost of Services
Instruction	\$ 2,492	\$ 1,161
Support services	858	858
Other expenses	<u>203</u>	<u>102</u>
Totals	<u>\$ 3,553</u>	<u>\$ 2,121</u>

The cost financed by users of the District's programs was \$1,172,631.

Federal and state governments subsidized certain programs with grants and contributions total \$258,232.

The net cost of governmental activities was financed with \$1,433,322 in property and other taxes and \$998,185 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$142,612 and expenses were \$138,445. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2005, the cost of meals was increased. This resulted in increased revenue.

INDIVIDUAL FUND ANALYSIS

As previously noted, Fredericksburg 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 \$2,483,846, above last year's ending fund balances of \$2,032,824.

Governmental Fund Highlights

The District's General Fund financial position remains healthy as the result of many factors. Growth during the year in local taxes resulted in an increase in revenues.

The General Fund balance increased from \$649,456 to \$882,709, due to the whole grade sharing agreement.

The Capital Projects Fund balance increased from \$116,339 in 2004 to \$197,210 in 2005. The school infrastructure local option sales tax revenues increased during 2005.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$23,799 at June 30, 2004 to \$27,966 at June 30, 2005, representing an increase of approximately 18%. The District increased the cost of meals during the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Fredericksburg Community School District did not amend its annual budget.

The District's receipts were \$148,351 less than budgeted receipts, a variance of 4%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were \$935,346 less than budgeted, due primarily to the District's reduced costs in the Support Services function. 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 ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$1,493,849, 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-3) This represents a net decrease of 1% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$86,788.

The original cost of the District's capital assets was \$3,096,239. Governmental funds account for \$3,047,341, with the remainder of \$48,898 accounted for in the Proprietary, School Nutrition Fund.

Figure A-3
Capital Assets, net of Depreciation
(expressed in thousands)

	Governmental Activities		Business type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2005	2004	2005	2004	2005	2004	2005	2004
Land	\$ 18	\$ 18	\$ -	\$ -	\$ 18	\$ 18		-%
Buildings and improvements	1,359	1,406	-	-	1,359	1,406		(3)%
Furniture and equipment	<u>120</u>	<u>55</u>	<u>15</u>	<u>16</u>	<u>135</u>	<u>71</u>		<u>90%</u>
Totals	<u>\$ 1,497</u>	<u>\$ 1,479</u>	<u>\$ 15</u>	<u>\$ 16</u>	<u>\$ 1,512</u>	<u>\$1,495</u>		<u>1%</u>

Long-Term Debt

At June 30, 2005, the District had \$410,000 in general obligation debt outstanding. This represents a decrease of approximately 20% from last year. (See Figure A-4) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-4
Outstanding Long-Term Obligations
(expressed in thousands)

	Total District		Total Change
	June 30,		June 30,
	2005	2004	2004-2005
General obligation bonds	<u>\$ 410</u>	<u>\$ 510</u>	<u>20%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The District is continuing a whole grade sharing agreement with Sumner Community School District that began with the 2004-2005 school year to help deal with declining enrollment.

The anticipated opening of the soy bean plant should help our tax base and possible enrollment stabilization.

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 Marcia Schult, District Secretary, Fredericksburg Community School District, Fredericksburg, Iowa, 50630.

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
ASSETS:			
Cash and investments	\$1,254,365	\$ 11,609	\$1,265,974
Receivables:			
Property tax:			
Delinquent	35,980	-	35,980
Succeeding year	1,246,810	-	1,246,810
Income surtaxes	82,216	-	82,216
Other	67,895	-	67,895
Inventories	1,898	3,908	5,806
Capital assets, net, of accumulated depreciation	<u>1,497,869</u>	<u>14,482</u>	<u>1,512,351</u>
Total assets	<u>\$4,187,033</u>	<u>\$ 29,999</u>	<u>\$4,217,032</u>
LIABILITIES:			
Accounts payable	\$ 46,377	\$ 324	\$ 46,701
Deferred revenue:			
Succeeding year property tax	1,246,810	-	1,246,810
Other	-	1,709	1,709
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	100,000	-	100,000
Portion due after one year:			
General obligation bonds payable	<u>310,000</u>	<u>-</u>	<u>310,000</u>
Total liabilities	<u>\$1,703,187</u>	<u>\$ 2,033</u>	<u>\$1,705,220</u>
NET ASSETS:			
Investment in capital assets	\$1,497,869	\$ 14,482	\$1,512,351
Restricted for:			
Management levy	82,920	-	82,920
Physical plant and equipment levy	99,333	-	99,333
Unrestricted	<u>803,724</u>	<u>13,484</u>	<u>817,208</u>
Total net assets	<u>\$2,483,846</u>	<u>\$ 27,966</u>	<u>\$2,511,812</u>

See Notes to Financial Statements.

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Statement of Activities
Year ended June 30, 2005

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$1,872,978	\$1,088,230	\$ 157,114	\$ -
Special instruction	395,636	1,286	-	-
Other instruction	223,023	83,115	-	-
	<u>\$2,491,637</u>	<u>\$1,172,631</u>	<u>\$ 157,114</u>	<u>\$ -</u>
Support services:				
Student services	\$ 58,176	\$ -	\$ -	\$ -
Instructional staff Services	57,276	-	-	-
Administration Services	380,874	-	-	-
Operation and maintenance of plant services	230,219	-	-	-
Central support	17,820	-	-	-
Transportation services	113,850	-	-	-
	<u>\$ 858,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Non-instructional programs	\$ -	\$ -	\$ -	\$ -
Other expenditures:				
Facilities acquisition	\$ 25,344	\$ -	\$ -	\$ -
Long-term debt interest	14,725	-	-	-
AEA flowthrough	101,118	-	101,118	-
Depreciation(unallocated)*	61,538	-	-	-
	<u>\$ 202,725</u>	<u>\$ -</u>	<u>\$ 101,118</u>	<u>\$ -</u>
Total governmental Activities	\$3,552,577	\$1,172,631	\$ 258,232	\$ -
Business type activities:				
Non-instructional programs:				
Food service operations	138,445	78,814	63,751	-
Total	<u>\$3,691,022</u>	<u>\$1,251,445</u>	<u>\$ 321,983</u>	<u>\$ -</u>

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

(Continued)

**Net (Expense) Revenue
And Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (627,634)	\$ -	\$ (627,634)
(394,350)	-	(394,350)
(139,908)	-	(139,908)
<u>\$ (1,161,892)</u>	<u>-</u>	<u>\$ (1,161,892)</u>
\$ (58,176)	\$ -	\$ (58,176)
(57,276)	-	(57,276)
(380,874)	-	(380,874)
(230,219)	-	(230,219)
(17,820)	-	(17,820)
(113,850)	-	(113,850)
<u>\$ (858,215)</u>	<u>\$ -</u>	<u>\$ (858,215)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ (25,344)	-	\$ (25,344)
(14,725)	-	(14,725)
-	-	-
(61,538)	-	(61,538)
<u>\$ (101,607)</u>	<u>-</u>	<u>\$ (101,607)</u>
\$ (2,121,714)	\$ -	\$ (2,121,714)
-	4,120	4,120
<u>\$ (2,121,714)</u>	<u>\$ 4,120</u>	<u>\$ (2,117,594)</u>

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Statement of Activities
Year ended June 30, 2005

General Revenues:

Property tax levied for:
 General purposes
 Debt service
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

See Notes to Financial Statements.

**Net (Expense) Revenue
And Changes in Net Assets**

Governmental Activities	Business Type Activities	Total
\$ 1,214,461	\$ -	\$ 1,214,461
64,672	-	64,672
154,189	-	154,189
998,185	-	998,185
15,018	47	15,065
126,211	-	126,211
<u>\$ 2,572,736</u>	<u>47</u>	<u>\$ 2,572,783</u>
\$ 451,022	\$ 4,167	\$ 455,189
2,032,824	23,799	2,056,623
<u>\$ 2,483,846</u>	<u>\$ 27,966</u>	<u>\$ 2,511,812</u>

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT

Balance Sheet
 Governmental Funds
 June 30, 2005

	<u>General</u>	<u>Capital Projects</u>
ASSETS:		
Cash and investments	\$ 813,386	\$176,837
Receivables:		
Property taxes:		
Current year delinquent	12,908	20,373
Succeeding year	988,766	-
Income surtaxes	41,108	-
Other	67,895	-
Inventories	<u>1,898</u>	<u>-</u>
Total assets	<u>\$1,925,961</u>	<u>\$197,210</u>
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts payable	\$ 43,378	\$ -
Deferred revenue:		
Succeeding year property tax	988,766	-
Income surtax	41,108	-
Total liabilities	<u>\$1,073,252</u>	<u>\$ -</u>
Fund balances:		
Unreserved:		
Reserved for debt service	\$ -	\$ -
Undesignated	852,709	197,210
Total fund balances	<u>\$ 852,709</u>	<u>\$197,210</u>
Total liabilities and fund balances	<u>\$1,925,961</u>	<u>\$197,210</u>

See Notes to Financial Statements.

<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 264,142	\$1,254,365
2,699	35,980
258,044	1,246,810
41,108	82,216
-	67,895
-	1,898
<u>\$ 565,993</u>	<u>\$2,689,164</u>

\$ 2,999	\$ 46,377
258,044	1,246,810
41,108	82,216
<u>\$ 302,151</u>	<u>\$1,375,403</u>

\$ 22,033	\$ 22,033
241,809	1,291,728
<u>\$ 263,842</u>	<u>\$1,313,761</u>

<u>\$ 565,993</u>	<u>\$2,689,164</u>
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FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
To the Statement of Net Assets
June 30, 2005

Total fund balances of governmental funds (page 20)	\$1,313,761
<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.	1,497,869
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	82,216
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(410,000)</u>
Net assets of governmental activities (page 14)	<u>\$2,483,846</u>

See Notes to Financial Statements.

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$1,028,059	\$ 154,189	\$ 250,666	\$1,432,914
Tuition	977,609	-	-	977,609
Other	165,943	2,026	84,761	252,730
State sources	1,208,551	-	164	1,208,715
Federal sources	131,631	-	-	131,631
Total revenues	<u>\$3,511,793</u>	<u>\$ 156,215</u>	<u>\$ 335,591</u>	<u>\$4,003,599</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$1,872,978	\$ -	\$ -	\$1,872,978
Special instruction	395,636	-	-	395,636
Other instruction	138,681	-	84,342	223,023
	<u>\$2,407,295</u>	<u>\$ -</u>	<u>\$ 84,342</u>	<u>\$2,491,637</u>
Support services:				
Student services	\$ 58,176	\$ -	\$ -	\$ 58,176
Instructional staff Services	57,276	-	-	57,276
Administration services	372,586	-	8,288	380,874
Operation and maintenance of plant services	217,598	-	111,603	329,201
Central support	-	-	17,820	17,820
Transportation services	94,491	-	-	94,491
	<u>\$ 800,127</u>	<u>\$ -</u>	<u>\$ 137,711</u>	<u>\$ 937,838</u>
Other expenditures:				
Facilities acquisition	\$ -	\$ 25,344	\$ -	\$ 25,344
Long-term debt:				
Principal	-	-	100,000	100,000
Interest and fiscal Charges	-	-	14,725	14,725
AEA flowthrough	101,118	-	-	101,118
	<u>\$ 101,118</u>	<u>\$ 25,344</u>	<u>\$ 114,725</u>	<u>\$ 241,187</u>
Total expenditures	<u>\$3,308,540</u>	<u>\$ 25,344</u>	<u>\$ 336,778</u>	<u>\$3,670,662</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 203,253</u>	<u>\$ 130,871</u>	<u>\$ (1,187)</u>	<u>\$ 332,937</u>

(Continued)

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources (uses):				
Operating transfer in	\$ -	\$ -	\$ 50,000	\$ 50,000
Operating transfer out	-	(50,000)	-	(50,000)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ 50,000</u>	<u>\$ -</u>
Net change in fund balances	\$ 203,253	\$ 80,871	\$ 48,813	\$ 332,937
Fund balances beginning of year	<u>649,456</u>	<u>116,339</u>	<u>215,029</u>	<u>980,824</u>
Fund balances end of year	<u>\$ 852,709</u>	<u>\$ 197,210</u>	<u>\$ 263,842</u>	<u>\$1,313,761</u>

See Notes to Financial Statements.

FREDERICKSBURG 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 **\$ 332,937**
 (page 23)

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

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

Expenditures for capital assets	102,599	
Depreciation expense	<u>(84,514)</u>	18,085

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Repaid		<u>100,000</u>
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Change in net assets of governmental activities (page 18) **\$ 451,022**

See Notes to Financial Statements.

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2005

	<u>School Nutrition</u>
ASSETS:	
Cash and investments	\$ 11,609
Inventories	3,908
Capital assets, net of accumulated depreciation	<u>14,482</u>
Total assets	<u>\$ 29,999</u>
LIABILITIES:	
Accounts payable	<u>\$ 2,033</u>
NET ASSETS:	
Invested in capital assets, net of related debt	\$ 3,908
Unrestricted	<u>24,058</u>
Total net assets	<u>\$ 27,966</u>

See Notes to Financial Statements.

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
Year ended June 30, 2005

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 78,814
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 53,952
Benefits	7,205
Purchased services	4,301
Supplies	70,713
Depreciation	2,274
Total operating expenses	<u>\$138,445</u>
Operating loss	<u>\$(59,631)</u>
Non-operating revenues:	
Local sources	\$ 47
State sources	2,252
Federal sources	61,499
Total non-operating revenues	<u>\$ 63,798</u>
Change in net assets	\$ 4,167
Net assets beginning of year	<u>23,799</u>
Net assets end of year	<u>\$ 27,966</u>

See Notes to Financial Statements.

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2005

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 79,279
Cash paid to employees for services	(61,157)
Cash paid to suppliers for goods or services	<u>(61,411)</u>
Net cash used by operating activities	<u>\$ (43,289)</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 2,252
Federal grants received	<u>49,911</u>
Net cash provided by non-capital financing activities	<u>\$ 52,163</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 47</u>
Net decrease in cash and cash equivalents	\$ 8,921
Cash and cash equivalents beginning of year	<u>2,688</u>
Cash and cash equivalents end of year	<u>\$ 11,609</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$(59,631)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	13,281
Depreciation	2,274
Increase in accounts payable	<u>787</u>
Net cash used by operating activities	<u>\$ (43,289)</u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2005, the District received \$11,588 of federal commodities.	

See Notes to Financial Statements.

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and investments	\$ <u>16,792</u>
Liabilities	
Accounts payable	\$ <u>3,750</u>
Net assets	
Reserved for scholarships	\$ <u><u>13,042</u></u>

See Notes to Financial Statements.

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year ended June 30, 2005

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 7,780
Interest income	<u>521</u>
Total additions	\$ 8,301
Deductions:	
Support services:	
Scholarships awarded	<u>13,300</u>
Change in net assets	(4,999)
Net assets beginning of year	<u>18,041</u>
Net assets end of year	<u><u>\$ 13,042</u></u>

See Notes to Financial Statements.

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies

The Fredericksburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. 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 Fredericksburg, Iowa and the predominate agricultural territory in Chickasaw, Bremer and Fayette 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, the Fredericksburg 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 Fredericksburg 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 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 Chickasaw County Assessor's Conference Board.

B. Basis of Presentation

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

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies - continued

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 attributable 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 imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies - continued

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

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

The District reports the following major proprietary fund:

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.

C. Measurement Focus and Basis of Accounting

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

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

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies - continued

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 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 non-operating 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 non-operating 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.

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies - continued

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 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.

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies - continued

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.

Asset Class	Amount
Land	\$ 0
Buildings	0
Improvements other than buildings	10,000
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:

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

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

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies - continued

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 represents 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 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 for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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.

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies - continued

E. Budgets and Budgetary Accounting

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

(2) Cash and Investments

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

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

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

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 919,589</u>

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

Interest Rate Risk. The district's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

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

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(3) Capital Assets

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

	Balance Beginning of year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 18,501	\$ -	\$ -	\$ 18,501
Capital assets being depreciated:				
Buildings and improvements	\$ 2,392,220	\$ -	\$ -	\$ 2,392,220
Furniture and equipment	545,421	102,599	11,399	636,621
Total capital assets being Depreciated	\$ 2,937,641	\$ 102,599	\$ 11,399	\$ 3,028,841
Less accumulated depreciation for:				
Buildings and improvements	\$ 985,881	\$ 47,344	-	\$ 1,033,225
Furniture and equipment	490,477	37,170	11,399	516,248
Total accumulated depreciation	\$ 1,476,358	\$ 84,514	11,399	\$ 1,549,473
Total capital assets being depreciated, net	\$ 1,461,283	\$ 18,085	\$ -	\$ 1,479,368
Governmental activities capital assets, net	\$ 1,479,784	\$ 18,085	\$ -	\$ 1,497,869

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 48,898	\$ -	\$ -	\$ 48,898
Less accumulated depreciation	32,141	2,274	-	34,415
Business type activities capital assets, net	\$ 16,757	\$ (2,274)	\$ -	\$ 14,483

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Operation and maintenance of plant	\$ 3,617
Transportation	19,359
	<u>\$ 22,976</u>

Unallocated	61,538
	<u>61,538</u>

Total depreciation expense - governmental activities	<u>\$ 84,514</u>
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Business type activities:

Food service operations	<u>\$ 2,274</u>
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FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(4) Long-Term Liabilities

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

	<u>Balance Beginning Of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
General obligation bonds	<u>\$ 510,000</u>	<u>\$ _____</u>	<u>\$ (100,000)</u>	<u>\$ 410,000</u>	<u>\$ 100,000</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay. There were no early retirement expenditures for the year ended June 30, 2005.

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Bond Issue of June 1, 2004</u>		
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>
2006	4.80%	\$ 100,000	\$ 12,325
2007	4.90	100,000	9,825
2008	5.00	105,000	6,825
2009	5.10	<u>105,000</u>	<u>3,675</u>
Total		<u>\$ 410,000</u>	<u>\$ 32,650</u>

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(5) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$90,122, \$90,309, and \$92,067 respectively, equal to the required contributions for each year.

(6) Risk Management

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

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$101,118 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Related Party Transactions

The District had business transactions between the District and District officials or employees, totaling \$650 during the year ended June 30, 2005.

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund
Required Supplementary Information
Year ended June 30, 2005

	Governmental Fund <u>Actual</u>	Proprietary Fund <u>Actual</u>
RECEIPTS:		
Local sources	\$2,603,579	\$ 79,326
State sources	1,199,804	2,252
Intermediary sources	-	-
Federal sources	131,631	49,911
Total receipts	<u>\$3,935,014</u>	<u>\$ 131,489</u>
DISBURSEMENTS:		
Instruction	\$2,468,646	\$ -
Support services	930,022	-
Non-instructional programs	-	122,568
Other expenditures	244,694	-
Total disbursements	<u>\$3,643,362</u>	<u>\$ 122,568</u>
Excess of receipts under disbursements	\$ 291,652	\$ 8,921
Balance beginning of year	<u>962,713</u>	<u>2,688</u>
Balance end of year	<u>\$1,254,365</u>	<u>\$ 11,609</u>

See Accompanying Independent Auditor's Report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
\$2,682,905	\$2,674,750	\$2,674,750	\$ 8,155
1,202,056	1,222,104	1,222,104	(20,048)
-	120,000	120,000	(120,000)
181,542	198,000	198,000	(16,458)
<u>\$4,066,503</u>	<u>\$4,214,854</u>	<u>\$4,214,854</u>	<u>\$ (148,351)</u>
\$2,468,646	\$2,830,997	\$2,830,997	\$ 362,351
930,022	1,397,000	1,397,000	466,978
122,568	173,493	173,493	50,925
244,694	299,786	299,786	55,092
<u>\$3,765,930</u>	<u>\$4,701,276</u>	<u>\$4,701,276</u>	<u>\$ 935,346</u>
\$ 300,573	\$ (486,422)	\$ (486,422)	\$ 786,995
<u>965,401</u>	<u>582,480</u>	<u>582,480</u>	<u>382,921</u>
<u>\$1,265,974</u>	<u>\$ 96,058</u>	<u>\$ 96,058</u>	<u>\$1,169,916</u>

FREDERICKSBURG 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	\$3,935,014	\$ 68,585	\$4,003,599
Expenditures	<u>3,643,362</u>	<u>27,300</u>	<u>3,670,662</u>
Net	\$ 291,652	\$ 41,285	\$ 332,937
Beginning fund balances	<u>962,713</u>	<u>18,111</u>	<u>980,824</u>
Ending fund balances	<u>\$1,254,365</u>	<u>\$ 59,396</u>	<u>\$1,313,761</u>

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 131,489	\$ 11,588	\$ 143,077
Expenses	<u>122,568</u>	<u>16,342</u>	<u>138,910</u>
Net	\$ 8,921	\$ (4,754)	\$ 4,167
Beginning net assets	<u>2,688</u>	<u>21,111</u>	<u>23,799</u>
Ending net assets	<u>\$ 11,609</u>	<u>\$ 16,357</u>	<u>\$ 27,966</u>

See Accompanying Independent Auditor's Report

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information - Budgetary Reporting
Year ended June 30, 2005

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

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

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

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	<u>Management</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	<u>Total</u>
ASSETS:					
Cash and investments	\$ 81,939	\$ 60,020	\$100,978	\$ 21,205	\$264,142
Receivables:					
Property tax:					
Delinquent	981	-	890	828	2,699
Succeeding year	75,000	-	70,719	112,325	258,044
Income surtaxes	-	-	41,108	-	41,108
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 157,920</u>	<u>\$ 60,020</u>	<u>\$213,695</u>	<u>\$134,358</u>	<u>\$565,993</u>
 LIABILITIES AND FUND EQUITY:					
Liabilities:					
Accounts payable	\$ -	\$ 464	\$ 2,535	\$ -	\$ 2,999
Deferred revenue:					
Succeeding year					
property tax	75,000	-	70,719	112,325	258,044
Income surtaxes	-	-	41,108	-	41,108
Total liabilities	<u>\$ 75,000</u>	<u>\$ 464</u>	<u>\$114,362</u>	<u>\$112,325</u>	<u>\$302,151</u>
Fund equity:					
Reserved for debt service	\$ -	\$ -	\$ -	\$ 22,033	\$ 22,033
Unreserved, undesignated					
fund balance	82,920	59,556	99,333	-	241,809
Total fund equity	<u>\$ 82,920</u>	<u>\$ 59,556</u>	<u>\$ 99,333</u>	<u>\$ 22,033</u>	<u>\$263,842</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund equity	<u>\$ 157,920</u>	<u>\$ 60,020</u>	<u>\$213,695</u>	<u>\$134,358</u>	<u>\$565,993</u>

See Accompanying Independent Auditor's Report.

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2005

	<u>Management</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	<u>Total</u>
REVENUES:					
Local sources:					
Local tax	\$ 74,839	\$ -	\$111,441	\$ 64,386	\$250,666
Other	141	83,625	709	286	84,761
State sources	<u>60</u>	<u>-</u>	<u>54</u>	<u>50</u>	<u>164</u>
Total revenues	<u>\$ 75,040</u>	<u>\$ 83,625</u>	<u>\$112,204</u>	<u>\$ 64,722</u>	<u>\$335,591</u>
EXPENDITURES:					
Current:					
Instruction:					
Other instruction	\$ -	\$ 84,342	\$ -	\$ -	\$ 84,342
Support services:					
Administrative services	8,288	-	-	-	8,288
Operation and maintenance of plant services	15,333	-	96,270	-	111,603
Central support	17,820	-	-	-	17,820
Other expenditures:					
Long-term debt:					
Principal	-	-	-	100,000	100,000
Interest on fiscal charges	-	-	-	14,725	14,725
Total expenditures	<u>\$ 41,441</u>	<u>\$ 84,342</u>	<u>\$ 96,270</u>	<u>\$114,725</u>	<u>\$336,778</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 33,599	\$ (717)	\$ 15,934	\$(50,003)	\$ (1,187)
Other financing sources:					
Operating transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ 33,599	\$ (717)	\$ 15,934	\$ (3)	\$ 48,813
Balance beginning of year	<u>49,321</u>	<u>60,273</u>	<u>83,399</u>	<u>22,036</u>	<u>215,029</u>
Balance end of year	<u>\$ 82,920</u>	<u>\$ 59,556</u>	<u>\$ 99,333</u>	<u>\$ 22,033</u>	<u>\$263,842</u>

See Accompanying Independent Auditor's Report

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Individual Student Activity Accounts
Year ended June 30, 2005

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Book orders	\$ -	\$ 2,181	\$ 2,181	\$ -
Athletics	31,688	56,841	58,614	29,915
Cheerleaders	627	-	-	627
Music	11,574	3,495	5,703	9,366
Student Council	102	-	51	51
FHA - HERO Club	2	1,477	1,266	213
Art Club	299	60	128	231
Science Club	490	-	-	490
Drama Club	64	-	-	64
Class of:				
2004	129	(59)	70	-
School annual	90	1,492	1,582	-
Pictures	459	(276)	-	183
Flowers and pop	1,796	1,558	1,387	1,967
Book Fair	246	3,369	3,473	142
Resale computer supplies	57	11	-	68
Interest	46	180	135	91
Gym rent	-	440	440	-
Jump Rope for Heart	42	-	-	42
Miscellaneous - juice machine	1,869	3,804	2,640	3,033
Falcon Friends	24	6	-	30
Field trip	1,254	35	35	1,254
Elementary	2,327	2,626	2,393	2,560
Friends of the Falcon Nest	5,336	3,285	1,735	6,886
School store - ELP	204	569	330	443
Milk machine	669	2,531	2,179	1,021
OM Team	879	-	-	879
Total	<u>\$ 60,273</u>	<u>\$ 83,625</u>	<u>\$ 84,342</u>	<u>\$ 59,556</u>

See Accompanying Independent Auditor's Report.

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Four Years

	Modified Accrual Basis			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:				
Local sources:				
Local tax	\$1,432,914	\$1,391,507	\$1,152,154	\$ 985,212
Tuition	977,609	151,500	141,424	118,418
Other	252,730	182,412	244,748	271,533
State sources	1,208,715	1,227,694	1,317,294	1,375,395
Federal sources	131,631	54,895	128,137	121,350
Total	<u>\$4,003,599</u>	<u>\$3,008,008</u>	<u>\$2,983,757</u>	<u>\$2,871,908</u>
Expenditures:				
Instruction:				
Regular instruction	\$1,872,978	\$1,146,872	\$1,166,816	\$1,213,562
Special instruction	395,636	305,979	326,560	262,124
Other instruction	223,023	265,840	290,164	313,500
Support services:				
Student services	58,176	78,900	61,701	48,210
Instructional staff services	57,276	54,419	48,511	54,528
Administration services	380,874	391,050	348,449	353,069
Operation and maintenance of plant services	329,201	224,243	195,603	169,013
Transportation services	94,491	71,067	71,520	64,208
Central support services	17,820	16,362	-	-
Other expenditures:				
Facilities acquisition	25,344	107,757	200,605	91,539
Long-term debt:				
Principal	100,000	590,000	85,000	80,000
Interest and other charges	14,725	36,006	32,375	35,975
AEA flowthrough	101,118	103,540	112,036	113,253
Total	<u>\$3,670,662</u>	<u>\$3,392,035</u>	<u>\$2,939,340</u>	<u>\$2,798,981</u>

See Accompanying Independent Auditor's Report.



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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 the
Fredericksburg Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Riceville 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 my report thereon dated August 10, 2005. I conducted my 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 my audit, I considered the District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. A reportable condition involves matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my 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. The reportable condition is described in Part II 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. My 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, I believe item II-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fredericksburg Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance or other matters that are described in part IV 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 my audit of the financial statements of the District. Since my 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 the Fredericksburg Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



August 10, 2005

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Schedule of Findings
Year Ended June 30, 2005

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, which was a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITION:

II-A-05 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, posting of the cash receipts and disbursements and preparation of the bank reconciliation are all done by the same person.

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

Response - We will continue to review our procedures and make changes to improve internal control where possible.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable

Part IV: Other Findings Related to Statutory Reporting:

IV-A-05 Official Depositories - Official depositories have been approved by the District. The maximum deposit amount approved was exceeded during the year ended June 30, 2005.

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
 Schedule of Findings
 Year Ended June 30, 2005

Part IV: Other Findings Related to Statutory Reporting: - continued

Recommendation - The District should approve a new maximum deposit amount sufficient to cover anticipated deposits.

Response - We will approve a new maximum deposit amount at the next Board meeting.

Conclusion - Response accepted.

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

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

IV-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.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Steve Crawford, Teacher, consultant	Roof Consultant	\$650

This transaction may represent a conflict of interest.

Recommendation - The District should consult legal counsel to determine the disposition of this matter.

Response - We will consult our attorney.

Conclusion - Response accepted.

IV-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.

IV-G-05 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

FREDERICKSBURG COMMUNITY SCHOOL DISTRICT
Schedule of Findings
Year Ended June 30, 2005

Part IV: Other Findings Related to Statutory Reporting: - continued

- IV-H-05 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-I-05 Deposits and Investments - 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 were noted.
- IV-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

