

IOWA FALLS 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>	
District-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 Fiduciary Assets and Liabilities	J	24
Statement of Changes in Fiduciary Net Assets	K	25
Notes to Basic Financial Statements		26-35
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		36-37
Budgetary Comparison Schedule - Budget to GAAP Reconciliation		38
Notes to Required Supplementary Information - Budgetary Reporting		39
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	41
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	42-43
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	4	44
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	5	45
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		46-47
Schedule of Findings		48-51

Iowa Falls Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 election)		
Paul Hoversten	President	2006
Tom Johnson	Vice President	2006
Shane Krukow	Board Member	2004
T.J. Norman	Board Member	2005
Elaine Loring	Board Member	2005
Board of Education (After September 2004 election)		
Tom Johnson	President	2006
Shane Krukow	Vice President	2007
T.J. Norman	Board Member	2005
Elaine Loring	Board Member	2005
Paul Hoversten	Board Member	2006
School Officials		
Dr. John Robbins	Superintendent	2005
Trish Lee	District Secretary/ Treasurer	2005
Rick Engel	Attorney	2005
Clark McNeal	Attorney	2005

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Iowa Falls 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 Iowa Falls Community School District, Iowa Falls, 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 that 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 the Iowa Falls Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof 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 September 27, 2005 on our consideration of the Iowa Falls Community School District's internal control over financial reporting and our 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 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.

Members American Institute & Iowa Society of Certified Public Accountants

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Iowa Falls Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

September 27, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Iowa Falls 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 \$7,615,573 in fiscal year 2004 to \$8,320,700 in fiscal year 2005, while General Fund expenditures increased from \$7,377,574 in fiscal 2004 to \$8,294,729 in fiscal 2005. This resulted in an increase in the District's General Fund balance from \$736,673 in fiscal 2004 to \$762,644 in fiscal 2005, a 3.53% increase from prior year.
- The increase in General fund revenues was attributed to an increase in tuition, state and federal funding. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.
- An increase in interest rates, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from \$15,438 in fiscal year 2004 to \$35,200 in fiscal year 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 Iowa Falls 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 Iowa Falls 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 Iowa Falls Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

Figure A-1
Iowa Falls Community School District Annual Financial Report

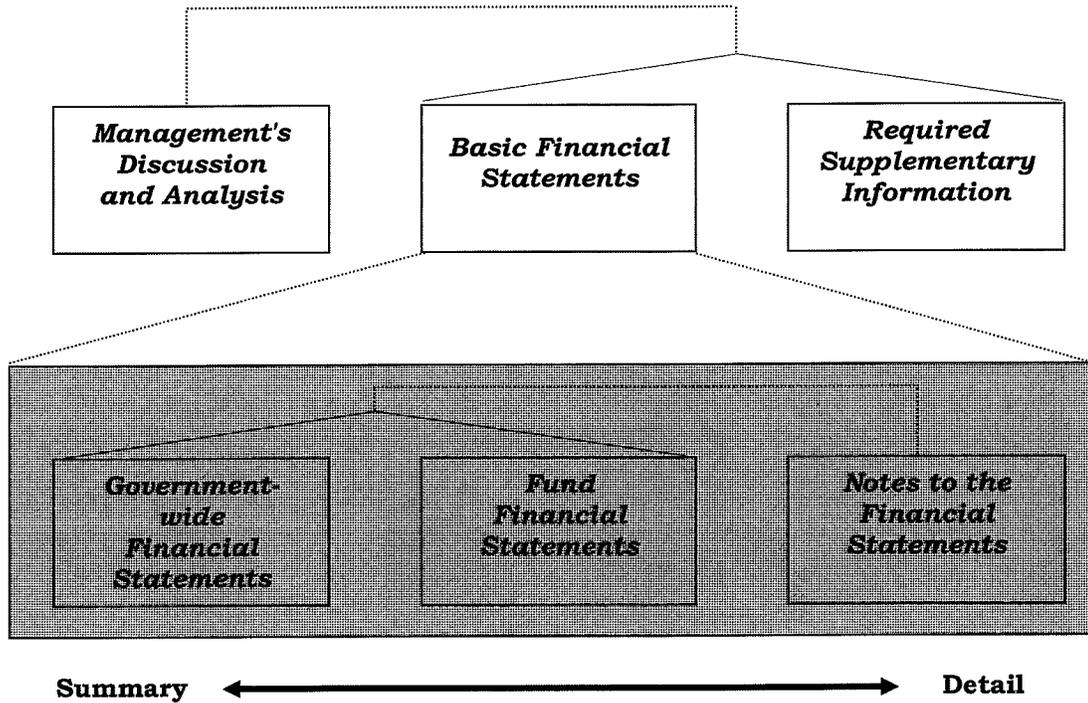


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

The required financial statements for the proprietary funds include a statement of net assets, 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 Private Purpose Trust and Agency Fund.

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund
- Agency Fund – These are funds for which the District administers and accounts for certain revenues collected for District employee purchases of pop and related expenditures, as well as the Alumni Association.

The District is responsible for ensuring that 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 District-wide financial statements because it cannot use these assets to finance its operations.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business-type		Total		Total
	Activities		Activities		District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2004-05
	2005	2004	2005	2004	2005	2004	
Current and other assets	\$ 7,323,746	7,530,442	31,186	24,940	7,354,932	7,555,382	-2.65%
Capital assets	5,586,354	5,911,098	37,774	61,509	5,624,128	5,972,607	-5.83%
Total assets	12,910,100	13,441,540	68,960	86,449	12,979,060	13,527,989	-4.06%
Long-term obligations	4,160,166	4,441,865	0	0	4,160,166	4,441,865	-6.34%
Other liabilities	3,655,249	4,460,208	9,585	7,880	3,664,834	4,468,088	-17.98%
Total liabilities	7,815,415	8,902,073	9,585	7,880	7,825,000	8,909,953	-12.18%
Net assets:							
Invested in capital assets, net of related debt	3,509,206	3,681,098	37,774	61,509	3,546,980	3,742,607	-5.23%
Restricted	776,721	202,280	0	0	776,721	202,280	283.98%
Unrestricted	808,758	656,089	21,601	17,060	830,359	673,149	23.35%
Total net assets	\$ 5,094,685	4,539,467	59,375	78,569	5,154,060	4,618,036	11.61%

The District’s combined net assets increased by 11.61%, or \$536,024, 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 \$574,441, or 283.98% over the prior year. The increase was

primarily a result of the District increase in Capital Projects fund balance due to the collection of local option sales and services tax from Hardin County for the first time.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$157,210, or 23.35%. This increase in unrestricted net assets was primarily a result of the decrease in the early retirement liability.

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 District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 1,153,853	698,677	250,931	234,145	1,404,784	932,822	50.60%
Operating grants and contributions and restricted interest	844,630	810,854	191,375	184,588	1,036,005	995,442	4.07%
Capital grants and contributions and restricted interest	25,000	0	0	0	25,000	0	100.00%
General revenues:							
Property tax	3,421,763	3,413,958	0	0	3,421,763	3,413,958	0.23%
Local option sales and services tax	522,384	9,593	0	0	522,384	9,593	5345.47%
Unrestricted state grants	3,965,825	3,733,752	0	0	3,965,825	3,733,752	6.22%
Other	73,262	36,729	5	5	73,267	36,734	99.45%
Total revenues	10,006,717	8,703,563	442,311	418,738	10,449,028	9,122,301	14.54%
Program expenses:							
Governmental activities:							
Instruction	6,479,825	5,984,256	0	0	6,479,825	5,984,256	8.28%
Support services	2,113,487	1,965,176	0	0	2,113,487	1,965,176	7.55%
Non-instructional programs	12,210	1,213	461,505	414,677	473,715	415,890	13.90%
Other expenditures	845,977	837,561	0	0	845,977	837,561	1.00%
Total expenses	9,451,499	8,788,206	461,505	414,677	9,913,004	9,202,883	7.72%
Changes in net assets	555,218	(84,643)	(19,194)	4,061	536,024	(80,582)	-765.19%
Beginning Net Assets	4,539,467	4,624,110	78,569	74,508	4,618,036	4,698,618	-1.72%
Ending Net Assets	\$ 5,094,685	4,539,467	59,375	78,569	5,154,060	4,618,036	11.61%

The FY 05 total revenues net increase of 14.54% is reflective of the increase of local option sales and services tax revenues, interest and future property tax from an instructional support levy.

The largest program expenditure area change was in the instruction function area, which was primarily due to increases in negotiated salaries and benefits and additional staff.

Governmental Activities

Revenues for governmental activities were \$10,006,717 and expenses were \$9,451,499.

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	\$ 6,479,825	4,788,483
Support services	2,113,487	2,111,418
Non-instructional programs	12,210	12,210
Other expenses	845,977	515,905
Totals	<u>\$ 9,451,499</u>	<u>7,428,016</u>

- The cost financed by users of the District’s programs was \$1,153,853.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$869,630.
- The net cost of governmental activities was financed with \$3,421,763 in property tax, \$522,384 in local option sales and services tax, \$3,965,825 in state foundation aid and \$73,262 in interest income.

Business-Type Activities

Revenues of the District’s business-type activities were \$442,311 and expenses were \$461,505. 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 Iowa Falls 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 balances of \$3,342,724, above last year’s ending fund balances of \$2,766,824. However, the primary reason for the increase in combined fund balances in fiscal 2005 is due to increased local option sales and services tax revenues in the Capital Projects Fund.

Governmental Fund Highlights

- The District’s increase in General Fund financial position from \$736,673 in fiscal 2004 to \$762,644 in fiscal 2005 is a product of many factors. Revenues increased due to the increase in tuition, state and federal grants. The District’s increase in General Fund expenditures was primarily due the increase in negotiated salaries and benefits, and increased energy costs.
- The Capital Projects Fund balance increased from \$9,593 in fiscal 2004 to \$535,058 in fiscal 2005 due to the increase in local option sales and services tax received to be used for capital improvements and tax relief.

- The Debt Service Fund balance decreased from \$1,810,870 in fiscal 2004 to \$1,793,541 in fiscal 2005 due to normal operations of paying debt principal and interest.
- The Management Fund balance decreased from \$17,001 in fiscal 2004 to \$26,073 in fiscal 2005. The Management Fund expenditures include early retirement benefits, property and liability insurance coverages, worker's compensation insurance and unemployment benefits. The increase in Management Fund expenditures was primarily due to increased insurance rates and early retirement payouts.
- The Student Activity Fund balance increased from \$63,325 in fiscal 2004 to \$81,980 in fiscal 2005 due to the variance of student activities from year to year.
- The Physical Plant and Equipment Levy Fund balance increased from \$120,080 in fiscal 2004 to \$134,102 in fiscal 2005 due to less capital improvements expenditures and an increase in tax revenues.
- The Expendable Trust Fund balance increased from \$9,282 in fiscal 2004 to \$9,326 in fiscal 2005 due to the variance of activities from year to year.

Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$78,569 at June 30, 2004 to \$59,375 at June 30, 2005, representing a decrease of 24.43%. The District had an increase in revenues and a greater increase in expenditures resulting in a decrease of net assets.

BUDGETARY HIGHLIGHTS

The District's revenues were \$2,029 less than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$5.6 million, 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 5.83% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$419,868.

The original cost of the District's capital assets was \$13.3 million. Governmental funds account for \$13.1 million with the remainder of \$0.2 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$771,530 at June 30, 2005, compared to \$947,690 reported at June 30, 2004. This significant decrease resulted from depreciation expense for the fiscal year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-05
Land	\$ 128,358	128,358	0	0	128,358	128,358	0.00%
Buildings	4,573,725	4,728,114	0	0	4,573,725	4,728,114	-3.27%
Land improvements	150,515	168,445	0	0	150,515	168,445	-10.64%
Machinery and equipment	733,756	886,181	37,774	61,509	771,530	947,690	-18.59%
Total	\$ 5,586,354	5,911,098	37,774	61,509	5,624,128	5,972,607	-5.83%

Long-Term Debt

At June 30, 2005, the District had \$4,160,166 in general obligation and other long-term debt outstanding. This represents a decrease of 6.34% from last year. (See Figure A-7) More detailed information about the District’s long-term liabilities is available in Note 4 to the financial statements.

The District had outstanding general obligation bonds of \$3,845,000 at June 30, 2005.

The District had outstanding early retirement payable from the Special Revenues, Management Levy Fund of \$315,166 at June 30, 2005.

Figure A-7
Outstanding Long-Term Obligations

		Total School District		Total Change
		June 30,		June 30,
		2005	2004	2004-05
General obligation bonds	\$	3,845,000	4,075,000	-5.64%
Early retirement		315,166	366,865	-14.09%
Totals	\$	4,160,166	4,441,865	-6.34%

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 affect its financial health in the future:

- Under Iowa’s school funding formula, District funding is highly dependent upon District enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation. Declining enrollment has been a continued concern for the District. To address this issue, the Iowa Falls and Alden Community School Districts have signed a whole grade sharing agreement which began with the start of the 2004-05 school year. It is anticipated that this agreement will benefit the district both financially and academically. A Reorganization Study Committee has been formed and that committee agreed that reorganization could certainly be a possibility in the future; however, it was not ready to make a recommendation to pursue it at this time. The committee agreed to meet again in the 2005-06 school year to revisit the issue.
- For the 2005-06 school year, the Board of Education approved the addition of a social worker/guidance counselor to work at the elementary schools. This position was eliminated two years ago due to state budget cuts.

- The Board began the pursuit of extensive renovation to the high school auditorium by hiring an architect by soliciting contributions. The target date for the auditorium is the summer of 2006.

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 Trish Lee, Board Secretary/Treasurer, Iowa Falls Community School District, 710 North Street, Iowa Falls, Iowa, 50126.

BASIC FINANCIAL STATEMENTS

IOWA FALLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
U.S. Treasury Securities on deposit with escrow agent	\$ 1,771,410	0	1,771,410
Other	2,138,186	23,235	2,161,421
Receivables:			
Property tax:			
Delinquent	45,117	0	45,117
Succeeding year	2,771,185	0	2,771,185
Income surtax	351,462	0	351,462
Accounts	4,277	775	5,052
Accrued interest	2,089	0	2,089
Due from other governments	223,765	0	223,765
Inventories	0	7,176	7,176
Prepaid expenses	16,255	0	16,255
Capital assets, net of accumulated depreciation(Note 3)	5,586,354	37,774	5,624,128
TOTAL ASSETS	12,910,100	68,960	12,979,060
LIABILITIES			
Accounts payable	111,635	2,450	114,085
Salaries and benefits payable	746,740	3,098	749,838
Accrued interest payable	25,689	0	25,689
Deferred revenue:			
Succeeding year property tax	2,771,185	0	2,771,185
Other	0	4,037	4,037
Long-term liabilities(Note 4):			
Portion due within one year:			
Bonds payable	245,000	0	245,000
Early retirement payable	124,429	0	124,429
Portion due after one year:			
Bonds payable	3,600,000	0	3,600,000
Early retirement payable	190,737	0	190,737
TOTAL LIABILITIES	7,815,415	9,585	7,825,000
NET ASSETS			
Investment in capital assets, net of related debt	3,509,206	37,774	3,546,980
Restricted for:			
Prepaid expenses	16,255	0	16,255
Capital projects	535,058	0	535,058
Physical plant and equipment levy	134,102	0	134,102
Other special revenue purposes	91,306	0	91,306
Unrestricted	808,758	21,601	830,359
TOTAL NET ASSETS	\$ 5,094,685	59,375	5,154,060

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 4,121,141	512,149	487,111	0
Special instruction	1,062,067	185,238	51,499	0
Other instruction	1,296,617	455,345	0	0
	<u>6,479,825</u>	<u>1,152,732</u>	<u>538,610</u>	<u>0</u>
Support services:				
Student services	70,311	0	0	0
Instructional staff services	177,444	0	0	0
Administration services	924,943	0	0	0
Operation and maintenance of plant services	652,341	0	0	0
Transportation services	288,448	1,121	948	0
	<u>2,113,487</u>	<u>1,121</u>	<u>948</u>	<u>0</u>
Non-instructional programs:				
Food service operations	12,210	0	0	0
	<u>12,210</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other expenditures:				
Facilities acquisitions	225,948	0	0	25,000
Long-term debt interest	140,638	0	0	0
AEA flowthrough	305,072	0	305,072	0
Depreciation(unallocated)*	174,319	0	0	0
	<u>845,977</u>	<u>0</u>	<u>305,072</u>	<u>25,000</u>
Total governmental activities	9,451,499	1,153,853	844,630	25,000
Business-Type activities:				
Non-instructional programs:				
Nutrition services	442,410	225,057	191,375	0
Day care services	19,095	25,874	0	0
Total business-type activities	<u>461,505</u>	<u>250,931</u>	<u>191,375</u>	<u>0</u>
Total	<u>\$ 9,913,004</u>	<u>1,404,784</u>	<u>1,036,005</u>	<u>25,000</u>

General Revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital projects
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings

Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(3,121,881)	0	(3,121,881)
(825,330)	0	(825,330)
(841,272)	0	(841,272)
<u>(4,788,483)</u>	<u>0</u>	<u>(4,788,483)</u>
(70,311)	0	(70,311)
(177,444)	0	(177,444)
(924,943)	0	(924,943)
(652,341)	0	(652,341)
(286,379)	0	(286,379)
<u>(2,111,418)</u>	<u>0</u>	<u>(2,111,418)</u>
(12,210)	0	(12,210)
<u>(12,210)</u>	<u>0</u>	<u>(12,210)</u>
(200,948)	0	(200,948)
(140,638)	0	(140,638)
0	0	0
(174,319)	0	(174,319)
<u>(515,905)</u>	<u>0</u>	<u>(515,905)</u>
(7,428,016)	0	(7,428,016)
0	(25,978)	(25,978)
0	6,779	6,779
0	(19,199)	(19,199)
<u>(7,428,016)</u>	<u>(19,199)</u>	<u>(7,447,215)</u>
\$ 2,845,898	0	2,845,898
346,387	0	346,387
229,478	0	229,478
522,384	0	522,384
3,965,825	0	3,965,825
73,262	5	73,267
<u>7,983,234</u>	<u>5</u>	<u>7,983,239</u>
555,218	(19,194)	536,024
4,539,467	78,569	4,618,036
<u>\$ 5,094,685</u>	<u>59,375</u>	<u>5,154,060</u>

IOWA FALLS COMMUNITY SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2005

	General	Debt Service	Capital Projects	Nonmajor Special Revenue Funds	Total
ASSETS					
Cash and pooled investments:					
U.S. Treasury Securities on deposit with escrow agent	\$ 0	1,771,410	0	0	1,771,410
Other	1,405,009	16,652	448,133	268,392	2,138,186
Receivables:					
Property tax:					
Delinquent	31,772	5,479	0	7,866	45,117
Succeeding year	2,262,143	156,808	0	352,234	2,771,185
Income surtax	351,462	0	0	0	351,462
Accounts	435	0	0	3,842	4,277
Accrued interest	2,089	0	0	0	2,089
Due from other governments	135,874	0	87,891	0	223,765
Prepaid expenses	16,255	0	0	0	16,255
TOTAL ASSETS	\$ 4,205,039	1,950,349	536,024	632,334	7,323,746
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 82,050	0	966	28,619	111,635
Salaries and benefits payable	746,740	0	0	0	746,740
Deferred revenue:					
Succeeding year property tax	2,262,143	156,808	0	352,234	2,771,185
Income surtax	351,462	0	0	0	351,462
Total liabilities	3,442,395	156,808	966	380,853	3,981,022
Fund balances:					
Reserved for:					
Debt service	0	1,793,541	0	0	1,793,541
Prepaid expenses	16,255	0	0	0	16,255
Unreserved:					
Undesignated:					
General	746,389	0	0	0	746,389
Capital projects	0	0	535,058	0	535,058
Management levy	0	0	0	26,073	26,073
Physical plant and equipment levy	0	0	0	134,102	134,102
Other special revenue purposes	0	0	0	91,306	91,306
Total fund balances	762,644	1,793,541	535,058	251,481	3,342,724
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,205,039	1,950,349	536,024	632,334	7,323,746

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

IOWA FALLS 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 17)	\$	3,342,724
 <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 in the governmental funds.		5,586,354
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		351,462
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.		(25,689)
Long-term liabilities, including bonds payable and early retirement payabe, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(4,160,166)</u>
Net assets of governmental activites (page 14)	\$	<u>5,094,685</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	General	Debt Service	Capital Projects	Nonmajor Special Revenue Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,604,538	346,387	522,384	474,350	3,947,659
Tuition	697,387	0	0	0	697,387
Other	209,082	32,480	4,047	284,119	529,728
State sources	4,557,671	317	0	445	4,558,433
Federal sources	252,022	0	0	25,000	277,022
Total revenues	8,320,700	379,184	526,431	783,914	10,010,229
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	3,906,401	0	0	146,969	4,053,370
Special instruction	1,063,467	0	0	0	1,063,467
Other instruction	1,047,343	0	0	253,796	1,301,139
Total instruction	6,017,211	0	0	400,765	6,417,976
Support services:					
Student services	69,274	0	0	5,995	75,269
Instructional staff services	178,744	0	0	5,688	184,432
Administration services	865,111	0	0	55,445	920,556
Operation and maintenance of plant services	630,725	0	0	20,000	650,725
Transportation services	226,642	0	0	16,986	243,628
Total support services	1,970,496	0	0	104,114	2,074,610
Non-instructional programs:					
Food service operations	1,950	0	0	10,260	12,210
Other expenditures:					
Facilities acquisitions	0	0	966	226,982	227,948
Long-term debt:					
Principal	0	230,000	0	0	230,000
Interest and fiscal charges	0	166,513	0	0	166,513
AEA flowthrough	305,072	0	0	0	305,072
Total other expenditures	305,072	396,513	966	226,982	929,533
Total expenditures	8,294,729	396,513	966	742,121	9,434,329
Net change in fund balances	25,971	(17,329)	525,465	41,793	575,900
Fund balance beginning of year	736,673	1,810,870	9,593	209,688	2,766,824
Fund balance end of year	\$ 762,644	1,793,541	535,058	251,481	3,342,724

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds(page 19) \$ 575,900

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceed depreciation expense and loss on disposal in the current year, as follows:

Expenditures for capital assets	\$ 69,548	
Depreciation expense	<u>(394,292)</u>	(324,744)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.	(3,512)
--	---------

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	51,699

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	230,000
---	---------

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.	<u>25,875</u>
--	---------------

Changes in net assets of governmental activities(page 16)	<u><u>\$ 555,218</u></u>
--	--------------------------

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

IOWA FALLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	School Nutrition	Day Care	Total
ASSETS			
Cash and cash equivalents:	\$ 17,435	5,800	23,235
Accounts receivable	600	175	775
Inventories	7,176	0	7,176
Capital assets, net of accumulated depreciation(Note 3)	37,774	0	37,774
TOTAL ASSETS	62,985	5,975	68,960
LIABILITIES			
Accounts payable	2,450	0	2,450
Salaries and benefits payable	3,098	0	3,098
Deferred revenue:			
Other	4,037	0	4,037
TOTAL LIABILITIES	9,585	0	9,585
NET ASSETS			
Investment in capital assets	37,774	0	37,774
Unrestricted	15,626	5,975	21,601
TOTAL NET ASSETS	\$ 53,400	5,975	59,375

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

IOWA FALLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 225,057	25,874	250,931
TOTAL OPERATING REVENUES	225,057	25,874	250,931
OPERATING EXPENSES:			
Non-instructional programs:			
Salaries	135,196	15,066	150,262
Benefits	35,731	1,895	37,626
Services	6,518	0	6,518
Supplies	239,389	2,134	241,523
Depreciation	25,576	0	25,576
TOTAL OPERATING EXPENSES	442,410	19,095	461,505
OPERATING INCOME (LOSS)	(217,353)	6,779	(210,574)
NON-OPERATING REVENUES:			
State sources	6,487	0	6,487
Federal sources	184,888	0	184,888
Interest income	5	0	5
TOTAL NON-OPERATING REVENUES	191,380	0	191,380
Changes in net assets	(25,973)	6,779	(19,194)
Net assets beginning of year	79,373	(804)	78,569
Net assets end of year	\$ 53,400	5,975	59,375

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

IOWA FALLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 222,472	0	222,472
Cash received from miscellaneous sources	2,036	25,699	27,735
Cash paid to employees for services	(170,791)	(16,961)	(187,752)
Cash paid to suppliers for goods or services	(222,512)	(2,134)	(224,646)
Net cash used in operating activities	(168,795)	6,604	(162,191)
Cash flows from non-capital financing activities:			
State grants received	6,487	0	6,487
Federal grants received	164,145	0	164,145
Net cash provided by non-capital financing activities	170,632	0	170,632
Cash flows from capital financing activities:			
Transfer to General Fund	0	(804)	(804)
Acquisition of assets	(1,841)	0	(1,841)
Net cash used in capital financing activities	(1,841)	(804)	(2,645)
Cash flows from investing activities:			
Interest on investments	5	0	5
Net cash provided by investing activities	5	0	5
Net increase in cash and cash equivalents	1	5,800	5,801
Cash and cash equivalents at beginning of year	17,434	0	17,434
Cash and cash equivalents at end of year	\$ 17,435	5,800	23,235
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (217,353)	6,779	(210,574)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	20,743	0	20,743
Depreciation	25,576	0	25,576
Decrease in inventories	202	0	202
(Increase)Decrease in accounts receivable	332	(175)	157
Increase in accounts payable	2,450	0	2,450
Increase in salaries and benefits payable	136	0	136
Decrease in deferred revenue	(881)	0	(881)
Net cash used in operating activities	\$ (168,795)	6,604	(162,191)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 17,435	5,800	23,235
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
During the year ended June 30, 2005, the District received Federal commodities valued at \$20,743.			
SEE NOTES TO BASIC FINANCIAL STATEMENTS.			

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

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
ASSETS		
Cash and pooled investments	\$ 20,741	2,374
Receivables:		
Accrued interest	1	0
	<u>20,742</u>	<u>2,374</u>
LIABILITIES		
Accounts payable	300	0
Due to other groups	0	2,374
	<u>300</u>	<u>2,374</u>
NET ASSETS		
Reserved for scholarships	<u>\$ 20,442</u>	<u>0</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

IOWA FALLS 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:	
Interest	\$ 439
Donations	<u>8,300</u>
	<u>8,739</u>
Deductions:	
Support services:	
Scholarships awarded	<u>8,896</u>
Change in net assets	(157)
Net assets beginning of year	<u>20,599</u>
Net assets end of year	<u><u>\$ 20,442</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

(1) Summary of Significant Accounting Policies

The Iowa Falls Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the city of Iowa Falls, Iowa, and the predominate agricultural territory in Hardin and Franklin 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, Iowa Falls 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 Iowa Falls 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 Hardin and Franklin County 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 are 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 utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

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

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Enterprise, Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to

account for the day care service operations of the District.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following

fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

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

Asset Class	Amount
Land	\$ 500
Buildings	2,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	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	5-20 years
Machinery and equipment	3-15 years

Salaries and Benefits Payable - Payroll and related expenditures for the current school year, which is paid 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. During the year ended June 30, 2005 expenditures in the other expenditures functional program area exceeded the amount budgeted.

(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; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment

companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The U.S. Treasury Securities are classified as Category 1, which means the investments are insured or registered or the securities are held by the District or its agent in the District's name.

Securities are stated at fair value. Securities traded on a national or international exchange are valued the last reported sales price at current exchange rates.

At June 30, 2005, the District had investments in U.S. Treasury Securities as follows:

<u>Type</u>	<u>Fair Value</u>
U.S. Treasury Securities	<u>\$ 1,771,410</u>

(3) Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 128,358	0	0	128,358
Total capital assets not being depreciated	<u>128,358</u>	<u>0</u>	<u>0</u>	<u>128,358</u>
Capital assets being depreciated:				
Buildings	7,937,267	2,000	0	7,939,267
Land improvements	717,987	0	0	717,987
Machinery and equipment	4,183,586	67,548	0	4,251,134
Total capital assets being depreciated	<u>12,838,840</u>	<u>69,548</u>	<u>0</u>	<u>12,908,388</u>
Less accumulated depreciation for:				
Buildings	3,209,153	156,389	0	3,365,542
Land improvements	549,542	17,930	0	567,472
Machinery and equipment	3,297,405	219,973	0	3,517,378
Total accumulated depreciation	<u>7,056,100</u>	<u>394,292</u>	<u>0</u>	<u>7,450,392</u>
Total capital assets being depreciated, net	<u>5,782,740</u>	<u>(324,744)</u>	<u>0</u>	<u>5,457,996</u>
Governmental activities capital assets, net	<u>\$ 5,911,098</u>	<u>(324,744)</u>	<u>0</u>	<u>5,586,354</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 231,933	1,841	0	233,774
Less accumulated depreciation	170,424	25,576	0	196,000
Business-type activities capital assets, net	\$ 61,509	(23,735)	0	37,774

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 167,410
Special		350
Other		1,130
Support services:		
Instructional staff		260
Administration		4,387
Operation and maintenance of plant		1,616
Transportation		44,820
		<u>219,973</u>
Unallocated depreciation		<u>174,319</u>
Total governmental activities depreciation expense		<u>\$ 394,292</u>
Business-type activities:		
Food services		\$ 25,576
Total business-type activities depreciation expense		<u>\$ 25,576</u>

(4) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 4,075,000	0	230,000	3,845,000	245,000
Early Retirement	366,865	55,831	107,530	315,166	124,429
Total	\$ 4,441,865	55,831	337,530	4,160,166	369,429

General Obligation Bonds Payable

On August 1, 2003, the District issued \$1,845,000 of general obligation refunding bonds, with interest rates ranging from 1.85% to 3.15%, for a crossover refunding of a portion of the general obligation bonds issued May 1, 1998. The District entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying the \$1,755,000 principal of the refunded general obligation bonds when they become callable on May 1, 2006 and the interest from August 1, 2003 to and including May 1, 2006 on the refunding bonds. After the principal and interest on all of the

outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished.

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

Year Ending June 30,	Bond Issue of May 1, 1998			Bond Issue of August 1, 2003				Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total	
2006	5.10 % \$	245,000	106,628	- % \$	-	47,505 \$	245,000	154,133	399,133	
2007	5.15	255,000	94,132	1.85	300,000	47,505	555,000	141,637	696,637	
2008	5.20	270,000	81,000	2.15	305,000	41,955	575,000	122,955	697,955	
2009	5.30	285,000	66,960	2.50	315,000	35,398	600,000	102,358	702,358	
2010	5.35	300,000	51,855	2.80	320,000	27,523	620,000	79,378	699,378	
2011-2012	5.50-5.60	645,000	54,285	3.00-3.15	605,000	27,226	1,250,000	81,511	1,331,511	
Total		\$ 2,000,000	454,860		\$ 1,845,000	227,112	\$ 3,845,000	681,972	4,526,972	

Early Retirement

The District offered an early retirement incentive to its certified employees. Eligible employees must be at least age fifty-five and must have completed twelve years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement expenditures for the year ended June 30, 2005 totaled \$107,530. A liability has been recorded in the government-wide financial statements representing the District's commitment to fund non-current early retirement.

(5) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual 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 \$287,284, \$280,064 and \$281,794 respectively, equal to the required contributions for each year.

(6) Risk Management

Iowa Falls 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 \$305,072 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) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2005 disbursements in the other expenditures functional area exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

IOWA FALLS 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	\$ 5,040,363	250,212
State sources	4,561,566	6,487
Federal sources	246,751	184,888
Total receipts	<u>9,848,680</u>	<u>441,587</u>
Disbursements:		
Instruction	6,267,101	0
Support services	2,090,717	0
Non-instructional programs	12,072	434,982
Other expenditures	950,240	0
Total disbursements	<u>9,320,130</u>	<u>434,982</u>
Excess(deficiency) of receipts over(under) disbursements	528,550	6,605
Balance beginning of year	<u>3,381,046</u>	<u>16,630</u>
Balance end of year	<u>\$ 3,909,596</u>	<u>23,235</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
5,290,575	5,325,588	5,325,588	(35,013)
4,568,053	4,601,781	4,601,781	(33,728)
431,639	364,927	364,927	66,712
<u>10,290,267</u>	<u>10,292,296</u>	<u>10,292,296</u>	<u>(2,029)</u>
6,267,101	6,341,973	6,341,973	74,872
2,090,717	2,313,000	2,313,000	222,283
447,054	462,750	462,750	15,696
950,240	943,358	943,358	(6,882)
<u>9,755,112</u>	<u>10,061,081</u>	<u>10,061,081</u>	<u>305,969</u>
535,155	231,215	231,215	303,940
<u>3,397,676</u>	<u>1,344,105</u>	<u>1,344,105</u>	<u>2,053,571</u>
<u>3,932,831</u>	<u>1,575,320</u>	<u>1,575,320</u>	<u>2,357,511</u>

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

	Governmental Fund Types		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 9,848,680	161,549	10,010,229
Expenses	9,320,130	114,199	9,434,329
Net	528,550	47,350	575,900
Beginning fund balances	3,381,046	(614,222)	2,766,824
Ending fund balances	\$ 3,909,596	(566,872)	3,342,724

	Proprietary Fund Type		
	Enterprise		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 441,587	724	442,311
Expenses	434,982	26,523	461,505
Net	6,605	(25,799)	(19,194)
Beginning net assets	16,630	61,939	78,569
Ending net assets	\$ 23,235	36,140	59,375

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

IOWA FALLS 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 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.

During the year ended June 30, 2005, disbursements in the other expenditures functional area exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

IOWA FALLS COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2005

	Special Revenue Funds				Total Nonmajor Special Revenue Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expend- able Trust	
ASSETS					
Cash and pooled investments	\$ 22,529	84,000	152,398	9,465	268,392
Receivables:					
Property tax:					
Current year delinquent	3,544	0	4,322	0	7,866
Succeeding year	275,000	0	77,234	0	352,234
Accounts	0	3,842	0	0	3,842
TOTAL ASSETS	\$ 301,073	87,842	233,954	9,465	632,334
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$ 0	5,862	22,618	139	28,619
Deferred revenue:					
Succeeding year property tax	275,000	0	77,234	0	352,234
	275,000	5,862	99,852	139	380,853
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	26,073	81,980	134,102	9,326	251,481
Total fund balances	26,073	81,980	134,102	9,326	251,481
TOTAL LIABILITIES AND FUND EQUITY	\$ 301,073	87,842	233,954	9,465	632,334

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

IOWA FALLS COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2005

	Special Revenue Funds				Total Nonmajor Special Revenue Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expend- able Trust	
REVENUES:					
Local sources:					
Local tax	\$ 244,872	0	229,478	0	474,350
Other	90	272,451	1,274	10,304	284,119
State sources	235	0	210	0	445
Federal sources	0	0	25,000	0	25,000
TOTAL REVENUES	245,197	272,451	255,962	10,304	783,914
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	132,011	0	14,958	0	146,969
Other instruction	0	253,796	0	0	253,796
Support services:					
Student support	5,995	0	0	0	5,995
Instructional staff support	5,688	0	0	0	5,688
Administration services	55,445	0	0	0	55,445
Operation and maintenance of plant services	20,000	0	0	0	20,000
Student transportation	16,986	0	0	0	16,986
Non-instructional programs:					
Operation of non-instructional programs	0	0	0	10,260	10,260
Other:					
Facilities acquisitions	0	0	226,982	0	226,982
TOTAL EXPENDITURES	236,125	253,796	241,940	10,260	742,121
EXCESS OF REVENUES OVER EXPENDITURES	9,072	18,655	14,022	44	41,793
FUND BALANCE BEGINNING OF YEAR	17,001	63,325	120,080	9,282	209,688
FUND BALANCE END OF YEAR	\$ 26,073	81,980	134,102	9,326	251,481

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

IOWA FALLS 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
HS Band Resale	\$ 144	383	195	332
HS Band Uniform Maint.	0	573	573	0
Elementary Band Resale	812	176	899	89
Elementary Vocal	50	831	540	341
MS Band Resale	115	201	252	64
RR Lion's Lead Dog	302	2,881	2,390	793
RR 5th Grade Lion Club	0	311	250	61
Pineview School Fund	962	37,700	26,085	12,577
Rock Run School Fund	8,814	31,556	27,887	12,483
HS Asset Builder SADD	241	793	840	194
HS Music Theater	6,116	2,551	549	8,118
HS Speech	0	700	700	0
MS Student Council	8,484	31,519	25,936	14,067
MS SCI	0	328	194	134
MS Freedom Pen	64	0	8	56
HS Vocal	2,507	635	411	2,731
HS Band	0	1,722	1,068	654
HS SCI	182	700	719	163
HS Marketing Club	964	0	474	490
FHA	17	0	0	17
Future Nurses	125	0	0	125
National Honors Society	389	175	121	443
Art Club	360	99	0	459
FFA	3,290	10,796	10,523	3,563
HS T-shirt Account	2,329	285	261	2,353
HS Student Council	3,931	2,411	3,854	2,488
HS International Club	680	626	332	974
HS Hearts Class	0	1,050	292	758
HS Math Club	2,924	399	857	2,466
Cheerleaders	37	1,690	1,601	126
HS Drill Team	900	1,150	1,407	643
Popcorn Fund	3,548	17,388	19,660	1,276
Yearbook Fund	629	11,598	8,253	3,974
Class of 2005	3,770	7,793	5,726	5,837
Class of 2006	3,182	3,171	3,216	3,137
Class of 2007	111	4,853	53	4,911
Class of 2008	1,600	(1,587)	0	13
Coed Cross Country	0	3,072	3,072	0
Baseball	0	1,473	1,473	0
Boys Basketball	2,037	8,151	9,488	700
Boys Golf	0	668	668	0
Boys Track	0	4,135	4,135	0
Football	1,595	16,664	17,559	700
Wrestling	101	10,804	10,661	244
Girls Basketball	1,871	8,003	9,174	700

IOWA FALLS 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
Girls Golf	0	385	385	0
Softball	0	2,314	2,314	0
Girls Tennis	31	979	1,010	0
Girls Track	0	1,372	1,372	0
Girls Volleyball	80	13,810	13,190	700
Activity Ticket Sales	0	8,855	8,855	0
HS Athletics Misc.	0	12,294	18,416	(6,122)
Athletics Resale	130	0	130	0
Interest	0	273	105	168
Beginning accruals	(99)	(100)	(199)	0
Ending accruals	0	3,842	5,862	(2,020)
Total	\$ 63,325	272,451	253,796	81,980

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 1,463	2,839	1,928	2,374
LIABILITIES				
Due to other groups	\$ 1,463	2,839	1,928	2,374

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 3,947,659	3,429,851	3,453,720	3,353,022
Tuition	697,387	302,960	301,391	261,691
Other	529,728	429,504	407,221	439,508
State sources	4,558,433	4,320,386	4,447,239	4,313,227
Federal sources	277,022	225,561	252,726	219,563
Total	\$ 10,010,229	8,708,262	8,862,297	8,587,011
Expenditures:				
Instruction:				
Regular instruction	\$ 4,053,370	3,571,312	3,687,663	3,707,756
Special instruction	1,063,467	1,259,125	1,343,791	1,194,324
Other instruction	1,301,139	790,302	739,657	797,140
Support services:				
Student services	75,269	76,568	194,857	209,236
Instructional staff services	184,432	208,303	201,590	202,067
Administration services	920,556	822,277	740,894	695,872
Operation and maintenance of plant services	650,725	644,017	592,275	552,612
Transportation services	243,628	210,146	290,524	265,173
Non-instructional programs	12,210	1,213	1,220	506
Other expenditures:				
Facilities acquisitions	227,948	208,757	87,565	189,609
Long-term debt:				
Principal	230,000	215,000	205,000	190,000
Interest and other charges	166,513	166,564	143,228	154,240
AEA flow-through	305,072	308,090	322,323	319,891
Total	\$ 9,434,329	8,481,674	8,550,587	8,478,426

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
Iowa Falls 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 Iowa Falls Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 27, 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 Iowa Falls 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-05 is a material weakness.

Compliance and Other Matters

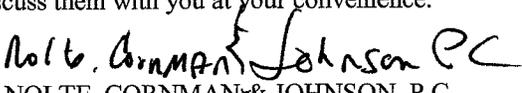
As part of obtaining reasonable assurance about whether Iowa Falls Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have 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.

Members American Institute & Iowa Society of Certified Public Accountants

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 Iowa Falls Community School District and other parties to whom Iowa Falls 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 Iowa Falls 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.

September 27, 2005

IOWA FALLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
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 internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

I-B-05 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over one year.

Recommendation - The District should research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - In the future, the District will report the unclaimed property to the Great Iowa Treasure Hunt.

Conclusion - Response accepted.

I-C-05 Supporting Documents for Payments to Officials - Payments made to officials from the Student Activity fund do not have supporting documentation.

Recommendation - The copy of the contract made for each official should be used as the support for payment.

Response - The District will provide supporting documentation for payments to officials.

Conclusion - Response accepted.

I-D-05 Student Activity Funds - During our audit issues arose about the propriety of certain accounts or certain receipts and expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The purchases made for books, briefcases for teachers and magazines used for educational purposes would appear to be inappropriate and be more appropriately accounted for in the General Fund. The District needs to better document public purpose for expenditures.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of

the education program for the students established under Iowa Administrative Code 281-12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended. The District should document public purpose and may want to implement a public purpose policy.

Response - In the future, the District will use the Student Activity Fund to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students.

Conclusion - Response accepted.

IOWA FALLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
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 exceeded the certified budget amounts in the other expenditures functional area.

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

Response - We will amend the budget in the future.

Conclusion - Response accepted.

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 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. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The District will publish the minutes within two weeks of the Board meeting.

Conclusion - Response accepted.

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, and we noted no significant deficiencies in the amounts reported.

II-K-05 Financial Condition - The District had a deficit student account balance in the Special Revenue, Student Activity Fund.

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

Response - The District is working on ways to eliminate the deficit.

Conclusion - Response accepted.