

PRESTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

**NOLTE, CORNMAN & JOHNSON P.C.**  
Certified Public Accountants  
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NEWS RELEASE

Nolte, Cornman & Johnson P.C. today released an audit report on the Preston Community School District in Preston, Iowa.

The District's revenues for governmental funds totaled \$3,222,317 for the year ended June 30, 2005 and included \$1,183,313 in local tax, \$1,539,810 from the state, \$111,056 from federal sources and \$19,951 in interest on investments.

Governmental fund expenditures for the year totaled \$3,027,552 and included \$1,916,329 for instruction, \$848,472 for support services, 527 for non-instructional programs and \$262,224 for other expenditures.

A copy of the audit report is available for review in the office of the Auditor of State and the District Secretary's office.

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Preston Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2004 Election)</b>		
Ken Lane	President	2005
Tim Gradert	Vice President	2006
Warren Moeller	Board Member	2006
Sally Marvin	Board Member	2004
Deb Warner	Board Member	2004

**Board of Education  
(After September 2004 Election)**

Ken Lane	President	2005
Tim Gradert	Vice President	2006
Warren Moeller	Board Member	2006
Sally Marvin	Board Member	2007
Janet Yadoff	Board Member	2007

**School Officials**

Paul Tobin	Superintendent	2005
Linda Skoff	District Secretary/ Treasurer	2007
Gruhn Law Firm	Attorney	2005

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**Certified Public Accountants**  
**(a professional corporation)**  
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**Telephone (641) 792-1910**

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Preston Community School District, Preston, Iowa as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Preston Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 13, 2005 on our consideration of the Preston Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 35 are not required parts of the basic financial statements, but are supplementary

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Preston Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, 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 13, 2005

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

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Preston Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,691,972 in fiscal 2004 to \$2,872,939 in fiscal 2005, while General Fund expenditures also increased from \$2,624,786 in fiscal 2004 to \$2,688,872 in fiscal 2005. This resulted in an increase in the District's General Fund balance from \$156,120 in fiscal 2004 to \$340,263 in fiscal 2005, which was a 118% increase from the prior year.

### **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 Preston Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how the governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Preston 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 Preston Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

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

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

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

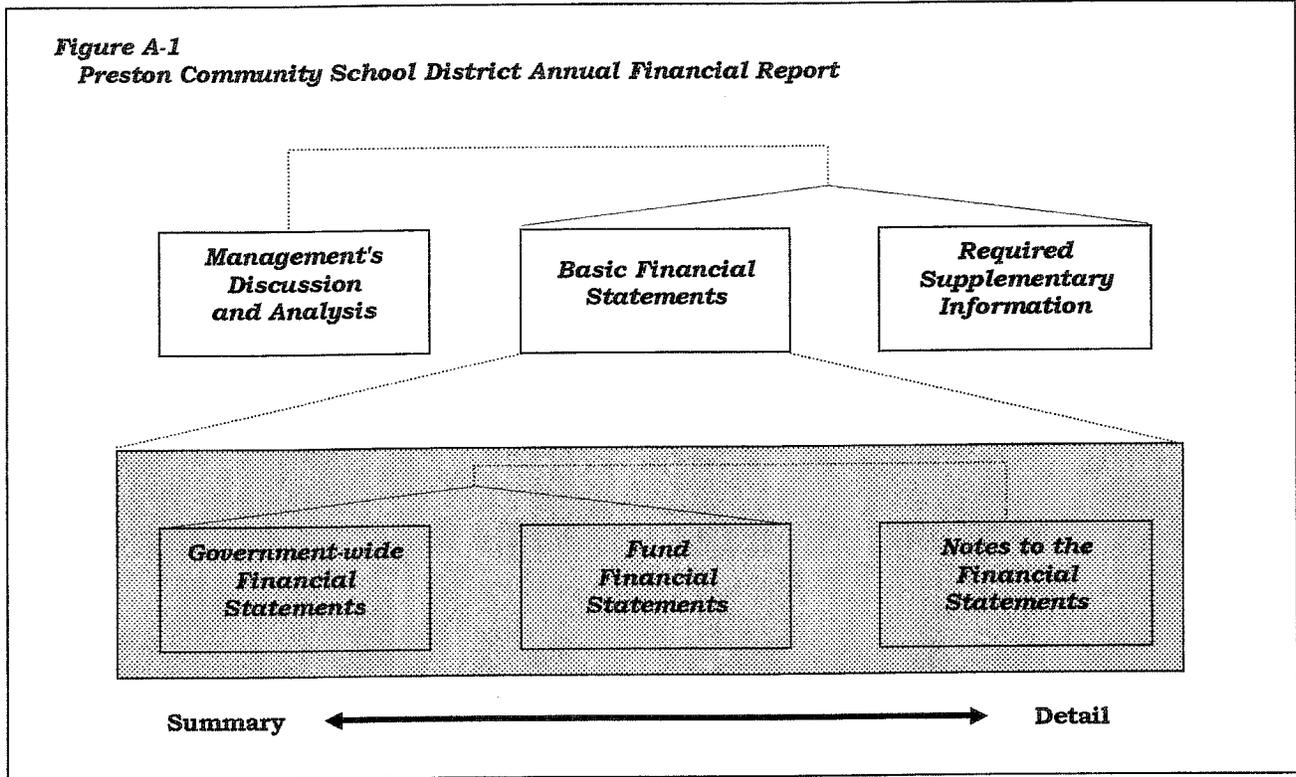


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

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

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## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

The two Government-wide 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, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.

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

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency Fund.

Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts.

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 Government-wide financial statements because it cannot use these assets to finance its operations.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 2,247,012	2,039,670	28,241	22,019	2,275,253	2,061,689	10.4%
Capital assets	762,081	886,703	8,944	13,078	771,025	899,781	-14.3%
Total assets	3,009,093	2,926,373	37,185	35,097	3,046,278	2,961,470	2.9%
Long-term obligations	46,576	19,981	0	0	46,576	19,981	133.1%
Other liabilities	1,361,112	1,355,884	1,721	2,420	1,362,833	1,358,304	0.3%
Total liabilities	1,407,688	1,375,865	1,721	2,420	1,409,409	1,378,285	2.3%
Net assets:							
Invested in capital assets, net of related debt	762,081	886,703	8,944	13,078	771,025	899,781	-14.3%
Restricted	509,703	454,710	0	0	509,703	454,710	12.1%
Unrestricted	329,621	209,095	26,520	19,599	356,141	228,694	55.7%
Total net assets	\$ 1,601,405	1,550,508	35,464	32,677	1,636,869	1,583,185	3.4%

The District's combined net assets increased by 3.39%, or \$53,684, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$54,993 or 12.09% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$127,447, or 55.73%.

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

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change	
	#	2005	2004	2005	2004	2005	2004	2004-05
<b>Revenues:</b>								
<b>Program revenues:</b>								
Charges for services	\$	368,187	400,512	66,463	64,034	434,650	464,546	-6.4%
Operating grants and contributions and restricted interest		329,203	310,565	43,853	47,266	373,056	357,831	4.3%
Capital grants and contributions and restricted interest		0	19,844	0	0	0	19,844	-100.0%
<b>General revenues:</b>								
Property tax		1,037,241	1,056,160	0	0	1,037,241	1,056,160	-1.8%
Local option sales and service tax		146,072	146,249	0	0	146,072	146,249	-0.1%
Unrestricted state grants		1,321,663	1,168,218	0	0	1,321,663	1,168,218	13.1%
Unrestricted investment earnings		19,951	4,440	618	460	20,569	4,900	319.8%
Other		76	325	0	0	76	325	-76.6%
<b>Total revenues</b>		<b>3,222,393</b>	<b>3,106,313</b>	<b>110,934</b>	<b>111,760</b>	<b>3,333,327</b>	<b>3,218,073</b>	<b>3.6%</b>
<b>Program expenses:</b>								
<b>Governmental activities:</b>								
Instructional		1,990,766	2,051,411	0	0	1,990,766	2,051,411	-3.0%
Support services		886,773	925,030	0	0	886,773	925,030	-4.1%
Non-instructional programs		527	0	108,147	96,019	108,674	96,019	13.2%
Other expenses		293,430	175,324	0	0	293,430	175,324	67.4%
<b>Total expenses</b>		<b>3,171,496</b>	<b>3,151,765</b>	<b>108,147</b>	<b>96,019</b>	<b>3,279,643</b>	<b>3,247,784</b>	<b>1.0%</b>
<b>Change in net assets</b>		<b>50,897</b>	<b>(45,452)</b>	<b>2,787</b>	<b>15,741</b>	<b>53,684</b>	<b>(29,711)</b>	<b>-280.7%</b>
<b>Beginning net assets</b>		<b>1,550,508</b>	<b>1,595,960</b>	<b>32,677</b>	<b>16,936</b>	<b>1,583,185</b>	<b>1,612,896</b>	<b>-1.8%</b>
<b>Ending net assets</b>	\$	<b>1,601,405</b>	<b>1,550,508</b>	<b>35,464</b>	<b>32,677</b>	<b>1,636,869</b>	<b>1,583,185</b>	<b>3.4%</b>

Property tax and unrestricted state grants account for 71% of the District's total revenues. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$3,222,393 and expenses were \$3,171,496.

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. The net cost of services is the result after subtracting grants and charges for services that the District used to offset the program's total cost.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 1,990,766	1,394,311
Support services	886,773	882,502
Non-instructional	527	527
Other expenses	293,430	196,766
Totals	<u>\$ 3,171,496</u>	<u>2,474,106</u>

- A portion of the cost financed by users of the District's programs was \$368,187
- The federal and state government subsidized certain programs with operating grants and contributions totaling \$329,203
- The net cost portion of governmental activities was financed with \$1,037,241 in property and other taxes, \$146,072 in local option sales and services tax, \$1,321,663 in unrestricted state grants, and unrestricted investment earnings of \$19,951

### **Business-Type Activities**

The District's business-type activities are the School Nutrition Fund. Revenues of the District's business-type activities totaled \$110,934. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses of the District's business-type activities totaled \$108,147.

### **INDIVIDUAL FUND ANALYSIS**

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

As the District completed the year, its governmental funds reported combined fund balances of \$874,041, an increase of 29% above last years ending fund balances of \$679,200.

### **Governmental Fund Highlights**

- The District's increase in General Fund financial position is the result of many factors. Growth during the year in state sources resulted in an increase in revenues. The District also increased its General Fund expenditures over the prior year, but the increase in state revenues exceeded the increase in expenditures.
- The Management Fund balance decreased from \$143,198 in fiscal 2004 to \$131,279 in fiscal 2005. The decrease is attributable to decreased property tax revenues for fiscal 2005.
- The Expendable Trust Fund balance decreased from \$139,285 in fiscal 2004 to \$139,250 in fiscal 2005. Revenues for this fund were not enough to outweigh the expenditures ensuring the decrease in fund balance.

### **Proprietary Fund Highlights**

- School Nutrition Fund net assets increased from \$32,677 at June 30, 2004 to \$35,464 at June 30, 2005, representing an increase of 9% over the prior year.

- Operating revenues for the Nutrition Fund increased from \$64,034 for fiscal 2004 to \$66,463 for fiscal 2005, representing an increase of 4% over the prior year. The increase in operating revenue was due in part to the District increasing adult lunch prices from \$2.00 to \$2.50 and the adult breakfast price from \$.85 to \$1.25 to bring the prices to state mandated levels.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Preston Community School District amended its annual budget one time to increase the total expenditures \$100,000 over the original budget. Although the budget was amended once, the other expenditures functional area still exceeded budgeted amounts.

The District's receipts were \$42,255 more than budgeted receipts. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, the District had invested \$771,025, 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) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$139,797.

The original cost of the District's capital assets was \$3,234,994. Governmental funds account for \$3,165,962 with the remainder of \$69,032 accounted for 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 \$190,069, at June 30, 2005, compared to \$287,619 reported at June 30, 2004.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Land	\$ 11,470	11,470	0	0	11,470	11,470	0.0%
Buildings	568,871	599,923	0	0	568,871	599,923	-5.5%
Improvements other than buildings	615	769	0	0	615	769	-25.0%
Machinery and equipment	181,125	274,541	8,944	13,078	190,069	287,619	-51.3%
Total	\$ 762,081	886,703	8,944	13,078	771,025	899,781	-16.7%

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## Long-Term Debt

At year-end, the District had \$46,576 in other long-term debt outstanding. This represents a increase of 133% from last year's balance of \$19,981. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
Early retirement	\$ 37,622	12,447	202.3%
Compensated absences	8,954	7,534	18.8%
Totals	<u>\$ 46,576</u>	<u>19,981</u>	<u>133.1%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Potential increases in gasoline/diesel fuel would impact the District's efforts to control expenditures.
- Enrollment remained the same as fiscal 2004 numbers which will help to maintain revenues for the District.

## 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 Linda Skoff, Board Secretary, Preston Community School District, P.O. Box 10, Preston, Iowa, 52069.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents:			
Other	\$ 1,095,219	25,351	1,120,570
Receivables			
Property tax:			
Delinquent	20,376	0	20,376
Succeeding year	1,050,122	0	1,050,122
Accounts	3,676	0	3,676
Due from other governments	77,619	0	77,619
Inventories	0	2,890	2,890
Capital assets, net of accumulated depreciation (Note 4)	762,081	8,944	771,025
<b>TOTAL ASSETS</b>	<b>3,009,093</b>	<b>37,185</b>	<b>3,046,278</b>
<b>LIABILITIES</b>			
Accounts payable	67,725	0	67,725
Salaries and benefits payable	243,265	1,190	244,455
Deferred revenue:			
Succeeding year property tax	1,050,122	0	1,050,122
Other	0	531	531
Long-term liabilities: (Note 5)			
Portion due within one year:			
Early retirement	10,184	0	10,184
Accrued compensated absences	8,954	0	8,954
Portion due after one year:			
Early retirement	27,438	0	27,438
<b>TOTAL LIABILITIES</b>	<b>1,407,688</b>	<b>1,721</b>	<b>1,409,409</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	762,081	8,944	771,025
Restricted for:			
Teacher Compensation	287	0	287
Phase III	1,145	0	1,145
Talented and Gifted	13,219	0	13,219
Capital projects	84,142	0	84,142
Management levy	93,657	0	93,657
Physical plant and equipment levy	76,271	0	76,271
Other special revenue purposes	240,982	0	240,982
Unrestricted	329,621	26,520	356,141
<b>TOTAL NET ASSETS</b>	<b>\$ 1,601,405</b>	<b>35,464</b>	<b>1,636,869</b>

SEE NOTES TO FINANCIAL STATEMENTS

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

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,347,331	158,677	215,972	0
Special instruction	294,413	42,400	16,567	0
Other instruction	349,022	162,839	0	0
	<u>1,990,766</u>	<u>363,916</u>	<u>232,539</u>	<u>0</u>
Support services:				
Student services	55,236	0	0	0
Instructional staff services	119,191	0	0	0
Administration services	333,751	0	0	0
Operation and maintenance of plant services	236,073	0	0	0
Transportation services	142,522	4,271	0	0
	<u>886,773</u>	<u>4,271</u>	<u>0</u>	<u>0</u>
Non-instructional programs	527	0	0	0
Other expenditures:				
Facilities acquisitions	165,560	0	0	0
AEA flowthrough	96,664	0	96,664	0
Depreciation(unallocated)*	31,206	0	0	0
	<u>293,430</u>	<u>0</u>	<u>96,664</u>	<u>0</u>
Total governmental activities	3,171,496	368,187	329,203	0
Business-Type activities:				
Non-instructional programs:				
Nutrition services	108,147	66,463	43,853	0
Total business-type activities	<u>108,147</u>	<u>66,463</u>	<u>43,853</u>	<u>0</u>
Total	<u>\$ 3,279,643</u>	<u>434,650</u>	<u>373,056</u>	<u>0</u>

**General Revenues:**

Property tax levied for:  
  General purposes  
  Capital outlay  
  Local option sales and services  
Unrestricted state grants  
Unrestricted investment earnings  
Gain on sale of equipment

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(972,682)	0	(972,682)
(235,446)	0	(235,446)
(186,183)	0	(186,183)
(1,394,311)	0	(1,394,311)
(55,236)	0	(55,236)
(119,191)	0	(119,191)
(333,751)	0	(333,751)
(236,073)	0	(236,073)
(138,251)	0	(138,251)
(882,502)	0	(882,502)
(527)		(527)
(165,560)	0	(165,560)
0	0	0
(31,206)	0	(31,206)
(196,766)	0	(196,766)
(2,474,106)	0	(2,474,106)
0	2,169	2,169
0	2,169	2,169
(2,474,106)	2,169	(2,471,937)
\$ 1,016,427	0	1,016,427
20,814	0	20,814
146,072	0	146,072
1,321,663	0	1,321,663
19,951	618	20,569
76	0	76
2,525,003	618	2,525,621
50,897	2,787	53,684
1,550,508	32,677	1,583,185
\$ 1,601,405	35,464	1,636,869

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

	General	Management	Expendable Trust	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>					
Cash and pooled investments:					
Other	\$ 550,103	130,690	139,250	263,317	1,083,360
Receivables:					
Property tax:					
Delinquent	19,378	589	0	409	20,376
Succeeding year	994,029	35,000	0	21,093	1,050,122
Accounts	3,304	0	0	372	3,676
Due from other governments	55,719	0	0	21,900	77,619
<b>TOTAL ASSETS</b>	<b>\$ 1,622,533</b>	<b>166,279</b>	<b>139,250</b>	<b>307,091</b>	<b>2,235,153</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	44,976	0	0	22,749	67,725
Salaries and benefits payable	243,265	0	0	0	243,265
Deferred revenue:					
Succeeding year property tax	994,029	35,000	0	21,093	1,050,122
Total liabilities	1,282,270	35,000	0	43,842	1,361,112
Fund balances:					
Reserved for:					
Teacher Compensation	287	0	0	0	287
Phase III	1,145	0	0	0	1,145
Talented and Gifted	13,219	0	0	0	13,219
Unreserved:					
Undesignated	325,612	131,279	139,250	263,249	859,390
Total fund balances	340,263	131,279	139,250	263,249	874,041
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,622,533</b>	<b>166,279</b>	<b>139,250</b>	<b>307,091</b>	<b>2,235,153</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds (page 16)</b>	\$	874,041
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		762,081
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		11,859
Long-term liabilities, including early retirement and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(46,576)
		<hr style="border-top: 1px solid black;"/>
<b>Net assets of governmental activites (page 13)</b>	<b>\$</b>	<b><u><u>1,601,405</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management	Trust	Other Nonmajor Expendable Governmental Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 986,451	29,976	0	166,886	1,183,313
Tuition	201,077	0	0	0	201,077
Other	34,584	3,088	4,439	144,950	187,061
State sources	1,539,771	23	0	16	1,539,810
Federal sources	111,056	0	0	0	111,056
Total revenues	2,872,939	33,087	4,439	311,852	3,222,317
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	1,262,982	14,225	0	0	1,277,207
Special instruction	294,413	0	0	0	294,413
Other instruction	221,069	0	0	123,640	344,709
	1,778,464	14,225	0	123,640	1,916,329
Support services:					
Student services	48,294	1,369	4,474	0	54,137
Instructional staff services	99,807	703	0	0	100,510
Administration services	331,851	1,054	0	0	332,905
Operation and maintenance of plant services	214,642	18,668	0	0	233,310
Transportation services	119,150	8,460	0	0	127,610
	813,744	30,254	4,474	0	848,472
Non-instructional programs	0	527	0	0	527
Other expenditures:					
Facilities acquisitions	0	0	0	165,560	165,560
AEA flowthrough	96,664	0	0	0	96,664
	96,664	0	0	165,560	262,224
Total expenditures	2,688,872	45,006	4,474	289,200	3,027,552
Excess(Deficiency) of revenues over(under) expenditures	184,067	(11,919)	(35)	22,652	194,765
Other financing sources (uses):					
Sale of equipment	76	0	0	0	76
Transfers in	0	0	0	18,095	18,095
Transfers out	0	0	0	(18,095)	(18,095)
Total other financing sources (uses)	76	0	0	0	76
Net change in fund balances	184,143	(11,919)	(35)	22,652	194,841
Fund balance beginning of year	156,120	143,198	139,285	240,597	679,200
Fund balance end of year	\$ 340,263	131,279	139,250	263,249	874,041

SEE NOTES TO FINANCIAL STATEMENTS

PRESTON 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 18) \$ 194,841

*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. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 9,840	
Depreciation expense	(134,462)	(124,622)

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 7,273

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

Early retirement	(25,175)	
Compensated absences	(1,420)	(26,595)

Changes in net assets of governmental activities (page 15) \$ 50,897

SEE NOTES TO FINANCIAL STATEMENTS.

PRESTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2005

	Business-Type Activities:	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service
<b>ASSETS</b>		
Cash and pooled investments	\$ 25,351	11,859
Inventories	2,890	0
Capital assets, net of accumulated depreciation	8,944	0
Total assets	37,185	11,859
<b>LIABILITIES</b>		
Salaries and benefits payable	1,190	0
Deferred Revenue	531	0
Total liabilities	1,721	0
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	8,944	0
Unrestricted	26,520	11,859
Total net assets	\$ 35,464	11,859

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business-Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 66,463	14,398
TOTAL OPERATING REVENUES	<u>66,463</u>	<u>14,398</u>
OPERATING EXPENSES:		
Salaries	39,761	0
Benefits	11,044	0
Services	239	7,125
Supplies	51,768	0
Depreciation	5,335	0
TOTAL OPERATING EXPENSES	<u>108,147</u>	<u>7,125</u>
OPERATING LOSS	(41,684)	7,273
NON-OPERATING REVENUES:		
State sources	1,710	0
Federal sources	42,143	0
Interest on investments	618	0
TOTAL NON-OPERATING REVENUES	<u>44,471</u>	<u>0</u>
Change in net assets	2,787	7,273
Net assets beginning of year	<u>32,677</u>	<u>4,586</u>
Net assets end of year	<u>\$ 35,464</u>	<u>11,859</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business-Type	
	Activities:	
	Enterprise	Governmental
	Fund	Activities:
	School	Internal
	Nutrition	Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 65,531	\$ 0
Cash received from miscellaneous operating activities	496	14,398
Cash payments to employees for services	(50,812)	0
Cash payments to suppliers for goods or services	(45,723)	(11,205)
Net cash provided by (used in) operating activities	<u>(30,508)</u>	<u>3,193</u>
Cash flows from non-capital financing activities:		
State grants received	1,710	0
Federal grants received	33,545	0
Net cash provided by non-capital financing activities	<u>35,255</u>	<u>0</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(1,201)	0
Net cash used in capital and related financing activities	<u>(1,201)</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	618	0
Net cash provided by investing activities	<u>618</u>	<u>0</u>
Net increase in cash and cash equivalents	4,164	3,193
Cash and cash equivalents at beginning of year	<u>21,187</u>	<u>8,666</u>
Cash and cash equivalents at end of year	<u>\$ 25,351</u>	<u>\$ 11,859</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating gain (loss)	\$ (41,684)	\$ 7,273
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	8,598	0
Depreciation	5,335	0
Increase in inventories	(2,087)	0
Decrease in accounts receivable	29	0
Decrease in accounts payable	(227)	(4,080)
Decrease in salaries and benefits payable	(7)	0
Decrease in deferred revenue	(465)	0
Net cash provided by (used in) operating activities	<u>\$ (30,508)</u>	<u>\$ 3,193</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	<u>\$ 25,351</u>	<u>\$ 11,859</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
During the year ended June 30, 2005, the District received Federal commodities valued at \$8,598.		

SEE NOTES TO FINANCIAL STATEMENTS.

PRESTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2005

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 2,535
Total assets	<u>2,535</u>
Liabilities	
Due to other groups	2,535
Total liabilities	<u>\$ 2,535</u>

SEE NOTES TO FINANCIAL STATEMENTS.

PRESTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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

The Preston Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Preston, Iowa, and the predominate agricultural territory in Jackson and Clinton 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, Preston Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Preston 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 Jackson and Clinton Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed

from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Management Fund is used to account for revenues derived from specific sources which are required by law or regulation to be accounted for in a separate fund.

The Expendable Trust Funds are used to account for assets held by the District in a trustee capacity.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the partial self-funded insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

The District reports the following fiduciary fund:

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

#### C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus". The Government-wide and proprietary fund financial statements are reported using 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	500
Improvements other than buildings	500
Machinery and equipment:	
School Nutrition Fund equipment	500

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

Asset Class	Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-20 years

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

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

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

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

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

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. The District had one budget amendment raising total expenditures by \$100,000. During the year ended June 30, 2005, budgeted expenditures were exceeded in the other expenditures functional area.

#### (2) **Cash and Pooled Investments**

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

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

The District had no investments as of year end June 30, 2005.

**(3) Interfund Transfers**

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

Transfer to	Transfer from	Amount
Capital Projects	Physical Plant and Equipment Levy	<u>\$ 18,095</u>

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

**(4) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	11,470	0	0	11,470
Total capital assets not being depreciated	<u>11,470</u>	<u>0</u>	<u>0</u>	<u>11,470</u>
Capital assets being depreciated:				
Buildings	1,674,176	0	0	1,674,176
Improvements other than buildings	69,369	0	0	69,369
Machinery and equipment	1,416,107	9,840	15,000	1,410,947
Total capital assets being depreciated	<u>3,159,652</u>	<u>9,840</u>	<u>15,000</u>	<u>3,154,492</u>
Less accumulated depreciation for:				
Buildings	1,074,253	31,052	0	1,105,305
Improvements other than buildings	68,600	154	0	68,754
Machinery and equipment	1,141,566	103,256	15,000	1,229,822
Total accumulated depreciation	<u>2,284,419</u>	<u>134,462</u>	<u>15,000</u>	<u>2,403,881</u>
Total capital assets being depreciated, net	<u>875,233</u>	<u>(124,622)</u>	<u>0</u>	<u>750,611</u>
Governmental activities capital assets, net	<u>\$ 886,703</u>	<u>(124,622)</u>	<u>0</u>	<u>762,081</u>
Business-type activities:				
Machinery and equipment	\$ 44,444	1,201	(23,387)	69,032
Less accumulated depreciation	31,366	5,335	(23,387)	60,088
Business-type activities capital assets, net	<u>\$ 13,078</u>	<u>(4,134)</u>	<u>0</u>	<u>8,944</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 51,226
Other		4,313
Support services:		
Student		2,095
Instructional		28,521
Operation and maintenance of plant		2,144
Transportation		14,957
		<u>103,256</u>
Unallocated depreciation		<u>31,206</u>
Total governmental activities depreciation expense		<u>\$ 134,462</u>
Business-type activities:		
Food services		\$ 5,335
Total business-type activities depreciation expense		<u>\$ 5,335</u>

**(5) Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Early retirement	\$ 12,447	30,553	5,378	37,622	10,184
Compensated absences	7,534	1,420	0	8,954	8,954
Total	<u>\$ 19,981</u>	<u>31,973</u>	<u>5,378</u>	<u>46,576</u>	<u>19,138</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employee's base salary calculated by using the current year regular salary schedule. During the year ended June 30, 2005, the District paid \$5,378 in early retirement benefits.

**(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$95,385, \$90,254, \$91,041 respectively, equal to the required contributions for each year.

**(7) Risk Management**

Preston Community School District has a self-funded dental insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess \$12,500 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

Preston 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.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$96,664 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2005, the District adopted one budget amendment increasing expenditures in the support services and other expenditures functional areas. Disbursements in the other expenditures functional area exceeded the amounts budgeted by the amendment.

REQUIRED SUPPLEMENTAL INFORMATION

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

	Governmental Fund Types Actual	Proprietary Fund Type Actual
<b>Receipts:</b>		
Local sources	\$ 1,571,451	67,081
State sources	1,539,810	1,710
Federal sources	111,056	42,143
Total revenues	<u>3,222,317</u>	<u>110,934</u>
<b>Disbursements:</b>		
Instruction	1,916,329	0
Support services	848,472	0
Non-instructional programs	527	108,147
Other expenditures	262,224	0
Total expenditures	<u>3,027,552</u>	<u>108,147</u>
Excess(deficiency) of receipts over(under) disbursements	194,765	2,787
Other financing sources, net	76	0
Excess(deficiency) of receipts over(under) disbursements	194,841	2,787
Balance beginning of year	679,200	32,677
Balance end of year	<u>\$ 874,041</u>	<u>35,464</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
1,638,532	1,608,403	1,608,403	30,129
1,541,520	1,530,593	1,530,593	10,927
153,199	152,000	152,000	1,199
<u>3,333,251</u>	<u>3,290,996</u>	<u>3,290,996</u>	<u>42,255</u>
1,916,329	2,041,449	2,041,449	125,120
848,472	864,835	914,835	66,363
108,674	130,000	130,000	21,326
262,224	204,569	254,569	(7,655)
<u>3,135,699</u>	<u>3,240,853</u>	<u>3,340,853</u>	<u>205,154</u>
197,552	50,143	(49,857)	(247,409)
76	0	0	(76)
197,628	50,143	(49,857)	(247,485)
711,877	726,369	726,369	(14,492)
<u>909,505</u>	<u>776,512</u>	<u>676,512</u>	<u>232,993</u>

PRESTON 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 functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the general Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$100,000.

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

OTHER SUPPLEMENTAL INFORMATION

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

	Physical Plant and Student Activity	Equipment Levy	Total Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and pooled investments	\$ 103,343	75,862	179,205	84,112	263,317
Receivables:					
Property tax:					
Current year delinquent	0	409	409	0	409
Succeeding year	0	21,093	21,093	0	21,093
Accounts	372	0	372	0	372
Due from other governments	0	0	0	21,900	21,900
<b>TOTAL ASSETS</b>	<b>\$ 103,715</b>	<b>97,364</b>	<b>201,079</b>	<b>106,012</b>	<b>307,091</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities:</b>					
Accounts payable	1,983	0	1,983	20,766	22,749
Deferred revenue:					
Succeeding year property tax	0	21,093	21,093	0	21,093
<b>Total Liabilities</b>	<b>1,983</b>	<b>21,093</b>	<b>23,076</b>	<b>20,766</b>	<b>43,842</b>
<b>Fund equity:</b>					
<b>Fund balances:</b>					
<b>Unreserved:</b>					
Undesignated	101,732	76,271	178,003	85,246	263,249
<b>Total fund balances</b>	<b>101,732</b>	<b>76,271</b>	<b>178,003</b>	<b>85,246</b>	<b>263,249</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 103,715</b>	<b>97,364</b>	<b>201,079</b>	<b>106,012</b>	<b>307,091</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Physical Student Activity	Plant and Equipment Levy	Total Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ 0	20,814	20,814	146,072	166,886
Other	142,166	1,724	143,890	1,060	144,950
State sources	0	16	16	0	16
TOTAL REVENUES	142,166	22,554	164,720	147,132	311,852
EXPENDITURES:					
Current:					
Instruction:					
Other instruction	123,640	0	123,640	0	123,640
Other expenditures:					
Facilities acquisitions	0	1,437	1,437	164,123	165,560
TOTAL EXPENDITURES	123,640	1,437	125,077	164,123	289,200
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	18,526	21,117	39,643	(16,991)	22,652
OTHER FINANCING SOURCES (USES):					
Transfers in	0	0	0	18,095	18,095
Transfers out	0	(18,095)	(18,095)	0	(18,095)
Total other financing sources (uses)	0	(18,095)	(18,095)	18,095	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	18,526	3,022	21,548	1,104	22,652
FUND BALANCE BEGINNING OF YEAR	83,206	73,249	156,455	84,142	240,597
FUND BALANCE END OF YEAR	\$ 101,732	76,271	178,003	85,246	263,249

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PRESTON 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
Drama-Thespians	\$ 3,475	4,517	4,223	3,769
Dance Club	0	315	26	289
Chorus-Extras	(14)	641	562	65
Instrumental Rental & Supply	644	819	1,059	404
Band-Extras	(8)	500	514	(22)
Performing Arts Boosters	6,259	22,936	12,519	16,676
State Tournament	4,130	322	919	3,533
Athletic	5,934	38,421	39,679	4,676
Athletic Wear	4,000	0	0	4,000
Cheerleaders	(100)	268	0	168
Athletic Boosters	29,607	26,911	20,849	35,669
SES	1,658	493	750	1,401
FCCLA	97	150	100	147
FFA	1,388	13,005	14,236	157
After Prom	40	0	0	40
Class of 2005	1,731	230	1,565	396
Class of 2006	2,530	9,792	9,380	2,942
Class of 2007	1,008	2,732	1,440	2,300
Class of 2008	0	2,824	1,872	952
NHS	183	368	549	2
JR. High Student Council	4,609	3,490	1,534	6,565
High School Student Council	9,008	9,687	9,632	9,063
Student Activity	7,027	3,445	1,932	8,540
Total	\$ 83,206	142,166	123,640	101,732

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PRESTON 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
<u>Assets</u>				
Cash and pooled investments	\$ 5,093	2,472	5,030	2,535
Total assets	<u>\$ 5,093</u>	<u>2,472</u>	<u>5,030</u>	<u>2,535</u>
 <u>Liabilities</u>				
Accounts payable	\$ 5,093	2,472	5,030	2,535
Total liabilities	<u>\$ 5,093</u>	<u>2,472</u>	<u>5,030</u>	<u>2,535</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PRESTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF ASSETS AND LIABILITIES  
 EXPENDABLE TRUST FUNDS  
 JUNE 30, 2005

	Wendell Scholarship	Carstensen Scholarship	Black Scholarship	Total
ASSETS				
Cash and pooled investments	\$ 127,740	10,260	1,250	139,250
TOTAL ASSETS	<u>127,740</u>	<u>10,260</u>	<u>1,250</u>	<u>139,250</u>
LIABILITIES				
Accounts payable	0	0	0	0
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET ASSETS	<u>\$ 127,740</u>	<u>10,260</u>	<u>1,250</u>	<u>139,250</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PRESTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS  
 EXPENDABLE TRUST FUNDS  
 YEAR ENDED JUNE 30, 2005

	Wendell Scholarship	Carstensen Scholarship	Black Scholarship	Total
Revenues:				
Local sources:				
Interest	\$ 4,274	170	7	4,451
Total revenues	4,274	170	7	4,451
Expenditures:				
Support services:				
Student support services	4,276	110	100	4,486
Total expenditures	4,276	110	100	4,486
Excess (deficiency) of revenues over (under) expenditures	(2)	60	(93)	(35)
Fund balance beginning of year	127,742	10,200	1,343	139,285
Fund balance end of year	\$ 127,740	10,260	1,250	139,250

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

PRESTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUNDS  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 1,183,313	1,202,409	975,835	904,682
Tuition	201,077	182,591	171,548	190,610
Other	187,061	222,361	323,459	228,133
State sources	1,539,810	1,372,062	1,394,475	1,341,135
Federal sources	111,056	126,565	136,181	60,219
Total	<u>\$ 3,222,317</u>	<u>3,105,988</u>	<u>3,001,498</u>	<u>2,724,779</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,277,207	1,235,958	1,233,611	1,281,287
Special instruction	294,413	363,127	322,706	312,361
Other instruction	344,709	402,428	309,618	311,510
Support services:				
Student services	54,137	44,691	48,759	50,670
Instructional staff services	100,510	100,571	85,129	121,221
Administration services	332,905	321,181	308,793	381,496
Operation and maintenance of plant services	233,310	226,555	204,077	228,736
Transportation services	127,610	157,365	134,419	112,169
Non-instructional programs	527	0	0	0
Other expenditures:				
Facilities acquisitions	165,560	101,894	115,640	64,677
AEA flow-through	96,664	93,208	99,367	99,331
Total	<u>\$ 3,027,552</u>	<u>3,046,978</u>	<u>2,862,119</u>	<u>2,963,458</u>

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  
Preston 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 Preston 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 13, 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 Preston Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a 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

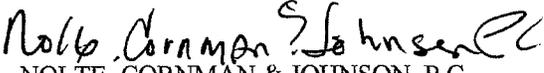
As part of obtaining reasonable assurance about whether Preston Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not

express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Preston Community School District and other parties to whom Preston 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 Preston 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 13, 2005

PRESTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the General Purpose 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 – We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

- I-B-05 Activity Admissions – The Activity gate admissions and change box were not reconciled with pre-numbered tickets.

Recommendation – The District should establish reconciliation procedures for activity admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response – We will design a simple reconciliation sheet that each gate can use to reconcile the tickets issued and the money received.

Conclusion – Response accepted.

PRESTON 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 amount budgeted in the other expenditures program area.

Recommendation - The 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 if necessary 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 – Business transactions between the District and District officials or employees were noted as follows.

Name, Title and Business Connection	Transaction Description	Amount
Tom and Beth McNeil, Teachers Owners of TM Woodworks	Rent	\$ 2,197

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the teachers do not appear to represent a conflict of interest.

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

II-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

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

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

II-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.