

ST. ANSGAR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

- Prepared By -

Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616-2036
Telephone (641)257-4222

ST. ANSGAR COMMUNITY SCHOOL DISTRICT

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Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616

E-mail: rlp@fiai.net

(641) 257-4222
or (641) 228-2812
Fax (641) 228-1513

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
St. Ansgar Community School District:

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

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

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

In accordance with Government Auditing Standards, I have also issued my report dated September 7, 2005 on my consideration of the St. Ansgar Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 46 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

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



September 7, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

St. Ansgar 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 \$5,059,897 in fiscal 2004 to \$5,360,441 in fiscal 2005, while General Fund expenditures increased from \$5,153,882 in fiscal 2004 to \$5,367,665 in fiscal 2005. The District's General Fund balance decreased from \$56,252 in fiscal 2004 to \$49,122 in fiscal 2005.

The increase in General Fund revenues was attributable to an increase in state and federal grant revenue in fiscal 2004.

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 St. Ansgar 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 St. Ansgar 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 St. Ansgar Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

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

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

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

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

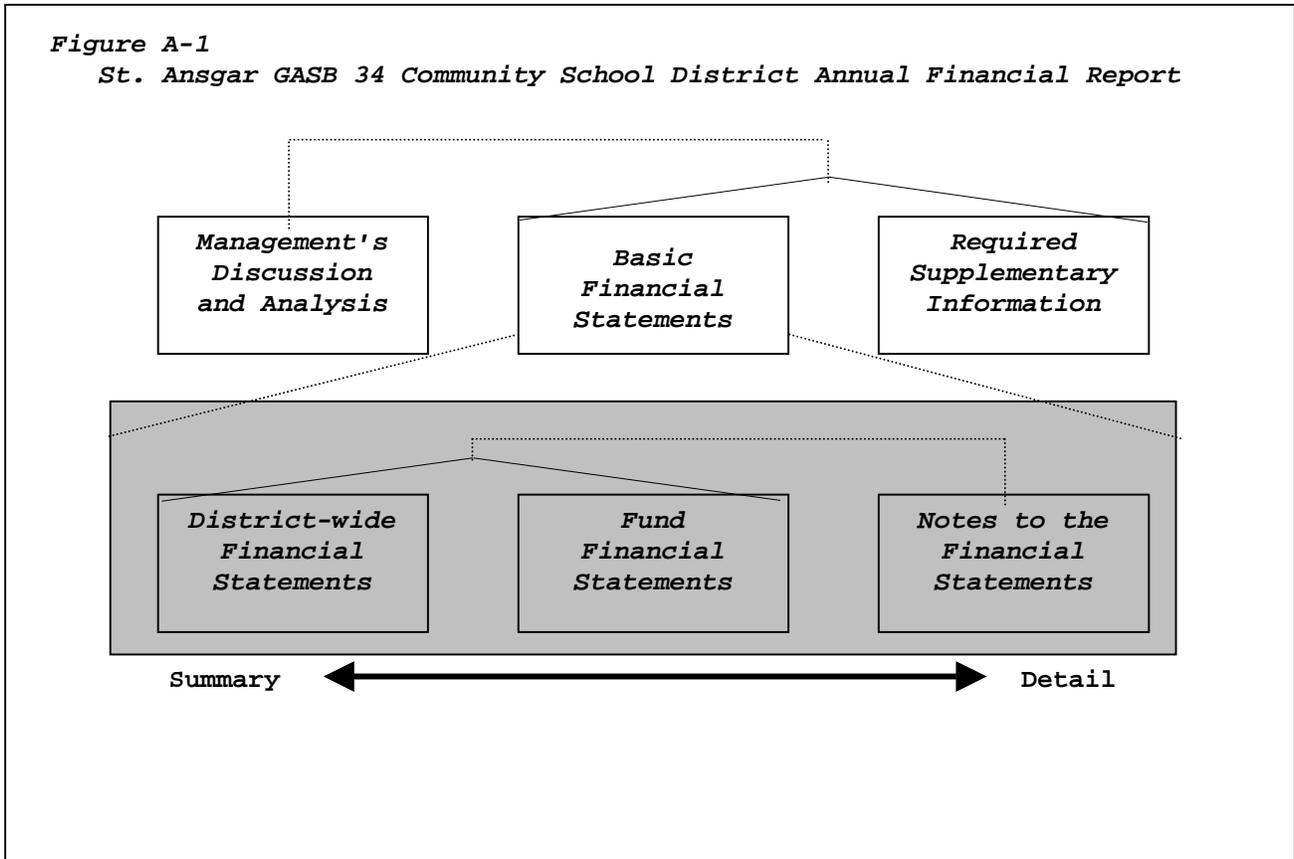


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base, state aid, federal aid, 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 general and special education, transportation and administration. Property tax and state aid finance most of these activities.

Business type activities: The district charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
- o Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
 - o Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Condensed Statement of Net Assets								
(Expressed in Thousands)								
	<u>Governmental</u>		<u>Business type</u>		<u>Total</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>District</u>		<u>Change</u>	
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2004 - 2005</u>	
Current and other assets	\$ 4,739	\$ 6,567	\$ 20	\$ 22	\$ 4,759	\$ 6,589	(28)%	
Capital assets	3,335	3,463	11	10	3,346	3,473	(4)	
Total assets	<u>\$ 8,074</u>	<u>\$10,030</u>	<u>\$ 31</u>	<u>\$ 32</u>	<u>\$ 8,105</u>	<u>\$10,062</u>	<u>(19)%</u>	
Long-term liabilities	\$ 4,973	\$ 7,195	\$ -	\$ -	\$ 4,973	\$ 7,195	(31)%	
Other liabilities	<u>1,463</u>	<u>1,264</u>	<u>4</u>	<u>4</u>	<u>1,467</u>	<u>1,268</u>	<u>16</u>	
Total Liabilities	<u>\$ 6,436</u>	<u>\$ 8,459</u>	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 6,440</u>	<u>\$ 8,463</u>	<u>(24)%</u>	
Net assets:								
Invested in capital assets, net of related debt	\$ 945	\$ 1,028	\$ 11	\$ 10	\$ 956	\$ 1,038	(8)%	
Restricted	119	99	-	-	119	99	20	
Unrestricted	<u>574</u>	<u>444</u>	<u>16</u>	<u>18</u>	<u>590</u>	<u>462</u>	<u>27</u>	
Total net Assets	<u>\$ 1,638</u>	<u>\$ 1,571</u>	<u>\$ 27</u>	<u>\$ 28</u>	<u>\$ 1,665</u>	<u>\$ 1,599</u>	<u>4%</u>	

The District's combined net assets increased by nearly 4%, or approximately \$66,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$20,000, or 20% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy Fund.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased approximately \$127,000, or 27%. The increase in unrestricted net assets was a result of the District's increased revenue for the fiscal year.

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

	Changes in Net Assets					
	(Expressed in Thousands)					
	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:						
Program revenues:						
Charges for service	\$ 409	\$ 371	\$ 195	\$ 168	\$ 604	\$ 539
Operating grants, contributions and restricted interest	588	561	112	107	700	668
General Revenues:						
Property tax	2,614	2,970	-	-	2,614	2,970
Local option sales and service tax	301	166	-	-	301	166
Unrestricted state grants	2,347	2,001	-	-	2,347	2,001
Unrestricted investment earnings	68	13	-	-	68	13
Other	17	35	-	-	17	35
Total revenues	<u>\$ 6,344</u>	<u>\$ 6,117</u>	<u>\$ 307</u>	<u>\$ 275</u>	<u>\$6,651</u>	<u>\$6,392</u>
Program expenses:						
Governmental activities:						
Instruction	\$ 4,036	\$ 3,840	\$ -	\$ -	\$4,036	\$3,840
Support services	1,583	1,575	-	-	1,583	1,575
Non-instructional programs	-	2	308	294	308	296
Other expenses	657	690	-	-	657	690
Total expenses	<u>\$ 6,276</u>	<u>\$ 6,107</u>	<u>\$ 308</u>	<u>\$ 294</u>	<u>\$6,584</u>	<u>\$6,401</u>
Change in net assets	<u>\$ 68</u>	<u>\$ 10</u>	<u>\$ (1)</u>	<u>\$ (19)</u>	<u>\$ 67</u>	<u>\$ (9)</u>

Property tax and unrestricted state grants account for 75% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,344,199 and expenses were \$6,276,737. In a difficult budget year, the District worked towards balancing the budget by trimming expenses to match available limited revenues.

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

Total and Net Cost of Governmental Activities		
(Expressed in Thousands)		
	Total Cost of Services	Net Cost of Services
Instruction	\$ 4,036	\$ 3,256
Support services	1,583	1,580
Non-instructional programs	1	1
Other expenses	657	443
Totals	\$ 6,277	\$ 5,280

The cost financed by users of the District's programs was \$408,823.

Federal and state governments subsidized certain programs with grants and contributions total \$588,240.

The net cost of governmental activities was financed with \$2,914,670 in property and other taxes and \$2,347,053 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$307,183 and expenses were \$308,348. The District's business type activities include the School Nutrition Fund and FFA Farm. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2005, the District increased meal prices. This increase resulted in increased revenue to the School Nutrition Fund which helped offset operating expenses.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,638,133, above last year's ending fund balances of \$1,570,671.

Governmental Fund Highlights

The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.

The General Fund balance decreased from \$56,242 to \$49,122, because of the District's use of cash balance to offset the Special Education deficit for fiscal 2005.

The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$74,611 in fiscal 2004 to \$119,559 in fiscal 2005.

The Debt Service Fund balance decreased from \$2,339,553 in fiscal 2004 to \$2,943 in fiscal 2005. The District called the original bonds during the year.

The Capital Projects Fund balance increased due to local option sales tax receipts during the fiscal 2005. The District ended fiscal 2005 with a fund balance of \$225,866, above last years ending fund balance of \$168,018.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$27,454 at June 30, 2004 to \$26,600 at June 30, 2005, representing a decrease of approximately 3%.

BUDGETARY HIGHLIGHTS

Over the course of the year, St. Ansgar Community School District amended its annual budget one time to reflect calling the general obligation bonds.

The District's receipts were \$121,695 more than budgeted receipts, a variance of 2%. The most significant variance resulted from the District receiving more in state aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$3,346,092, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-3) This represents a net decrease of 4% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$227,690.

The original cost of the District's capital assets was \$8,336,550. Governmental funds account for \$8,250,490, with the remainder of \$86,060 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category.

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

	Governmental Activities		Business type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2005	2004	2005	2004	2005	2004	2005	2004
Land	\$ 66	\$ 66	\$ -	\$ -	\$ 66	\$ 66	-	%
Buildings and improvements	3,031	3,123	-	-	3,031	3,123	(3)	%
Furniture and equipment	<u>238</u>	<u>274</u>	<u>11</u>	<u>10</u>	<u>249</u>	<u>284</u>	<u>(12)</u>	%
Totals	<u>\$3,335</u>	<u>\$3,463</u>	<u>\$ 11</u>	<u>\$ 10</u>	<u>\$3,346</u>	<u>\$3,473</u>	<u>(4)</u>	%

Long-Term Debt

At June 30, 2005, the District had \$2,390,000 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 50% from last year. (See Figure A-4) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

In June 2005, the District called \$2,435,000 in general obligation refunding bonds.

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

	Total District		Total Change
	June 30,		June 30,
	2005	2004	2003-2005
General obligation bonds	<u>\$ 2,390</u>	<u>\$ 4,825</u>	(<u>50</u>)%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The District levied a \$150,000 Cash Reserve Levy for fiscal 2005 to help increase the General Fund balance and to fund the District's unspent balance.

Fiscal 2004 was the second of a three-year contract with the St. Ansgar Education Association. The District will negotiate a new agreement during fiscal 2005. Future settlements and continued minimal allowable growth in state funding may have an adverse effect on the District's General Fund budget and related fund balance.

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 Lisa Groth, District Secretary, St. Ansgar Community School District, St. Ansgar, Iowa, 50472.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
ASSETS AND OTHER DEBITS:			
Cash and investments	\$1,088,495	\$ 16,957	\$1,105,452
Receivables:			
Property tax:			
Delinquent	36,785	-	36,785
Succeeding year	2,583,022	-	2,583,022
Income surtaxes	224,625	-	224,625
Accounts	1,733	100	1,833
Due from other governments	73,684	-	73,684
Inventories	5,234	2,493	7,727
Restricted ISCAP assets: (Note 3)			
Investments	725,727	-	725,727
Capital assets, net of accumulated depreciation	<u>3,334,851</u>	<u>11,241</u>	<u>3,346,092</u>
Total assets	<u>\$ 8,074,156</u>	<u>\$ 30,791</u>	<u>\$8,104,947</u>
LIABILITIES:			
Accounts payable	\$ 188,152	\$ -	\$ 188,152
Salaries and benefits payable	547,849	6	547,855
ISCAP warrants payable (Note 3)	727,000	-	727,000
Deferred revenue:			
Succeeding year property tax	2,583,022	-	2,583,022
Other	-	4,185	4,185
Long term liabilities:			
Portion due within one year:			
General obligation bonds payable	205,000	-	205,000
Portion due after one year:			
General obligation bonds payable	<u>2,185,000</u>	<u>-</u>	<u>2,185,000</u>
Total liabilities	<u>\$ 6,436,023</u>	<u>\$ 4,191</u>	<u>\$6,440,214</u>
NET ASSETS:			
Investment in capital assets	\$ 944,851	\$ 11,241	\$ 956,092
Restricted for:			
Management levy	-	-	-
Physical plant and equipment levy	119,559	-	119,559
Unrestricted	<u>573,723</u>	<u>15,359</u>	<u>589,082</u>
Total net assets	<u>\$ 1,638,133</u>	<u>\$ 26,600</u>	<u>\$1,664,733</u>

See Notes to Financial Statements.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Statement of Activities
Year ended June 30, 2005

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$2,768,208	\$ 120,386	\$ 370,778	\$ -
Special instruction	691,043	21,860	-	-
Other instruction	577,227	264,089	3,467	-
	<u>\$4,036,478</u>	<u>\$ 406,335</u>	<u>\$ 374,245</u>	<u>\$ -</u>
Support services:				
Student services	\$ 115,147	\$ -	\$ -	\$ -
Instructional staff Services	129,933	317	-	-
Administration Services	549,271	-	-	-
Operation and maintenance of plant services	484,627	-	-	-
Transportation services	304,032	2,171	-	-
	<u>\$1,583,010</u>	<u>\$ 2,488</u>	<u>\$ -</u>	<u>\$ -</u>
Non-instructional programs	\$ 434	\$ -	\$ -	\$ -
Other expenditures:				
Facilities acquisition	\$ 23,004	\$ -	\$ 2,357	\$ -
Long-term debt interest	196,094	-	-	-
AEA flowthrough	211,638	-	211,638	-
Depreciation(unallocated)*	226,079	-	-	-
	<u>\$ 656,815</u>	<u>\$ -</u>	<u>\$ 213,995</u>	<u>\$ -</u>
Total governmental activities	<u>\$6,276,737</u>	<u>\$ 408,823</u>	<u>\$ 588,240</u>	<u>\$ -</u>
Business type activities:				
Non-instructional programs:				
Food service operations	\$ 308,035	\$ 190,273	\$ 112,196	\$ -
FFA Farm	313	4,714	-	-
Total business type activities	<u>\$ 308,348</u>	<u>\$ 194,987</u>	<u>\$ 112,196</u>	<u>\$ -</u>
Total	<u>\$6,585,085</u>	<u>\$ 603,810</u>	<u>\$ 700,436</u>	<u>\$ -</u>

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

(Continued)

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

Governmental Activities	Business Type Activities	Total
\$ (2,277,044)	\$ -	\$ (2,277,044)
(669,183)	-	(669,183)
(309,671)	-	(309,671)
\$ (3,255,898)	\$ -	\$ (3,255,898)
\$ (115,147)	\$ -	\$ (115,147)
(129,616)	-	(129,616)
(549,271)	-	(549,271)
(484,627)	-	(484,627)
(301,861)	-	(301,861)
\$ (1,580,522)	\$ -	\$ (1,580,522)
\$ (434)	\$ -	\$ (434)
\$ (20,647)	\$ -	\$ (20,647)
(196,094)	-	(196,094)
-	-	-
(226,079)	-	(226,079)
\$ (442,820)	\$ -	\$ (442,820)
\$ (5,279,674)	\$ -	\$ (5,279,674)
\$ -	\$ (5,566)	\$ (5,566)
-	4,401	4,401
\$ -	\$ (1,165)	\$ (1,165)
\$ (5,279,674)	\$ (1,165)	\$ (5,280,839)

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Statement of Activities
Year ended June 30, 2005

General Revenues:

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

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

See Notes to Financial Statements.

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

Governmental Activities	Business Type Activities	Total
\$ 2,395,697	\$ -	\$ 2,395,697
115,549	-	115,549
102,241	-	102,241
301,183	-	301,183
2,347,053	-	2,347,053
68,220	338	68,558
17,193	-	17,193
\$ 5,347,136	\$ 388	\$ 5,347,474
\$ 67,462	\$ (827)	\$ 66,635
1,570,671	27,427	1,598,098
\$ 1,638,133	\$ 26,600	\$ 1,664,733

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2005

	<u>General</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>
ASSETS:			
Cash and investments	\$ 582,184	\$ 139,931	\$ 1,189
Receivables:			
Property taxes:			
Current year delinquent	31,580	1,595	1,754
Succeeding year	2,094,374	149,938	113,710
Income surtax	224,625	-	-
Accounts receivable	562	-	-
Due from other governments	45,753	-	-
Inventories	5,234	-	-
Restricted ISCAP assets: (Note 3)			
Investments	725,727	-	-
Total assets	\$3,710,039	\$ 291,464	\$ 116,653
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 74,683	\$ 21,967	\$ -
Salaries and benefits payable	540,235	-	-
ISCAP warrants payable (Note 3)	727,000	-	-
Deferred revenue:			
Succeeding year property tax	2,094,374	149,938	113,710
Other	224,625	-	-
Total liabilities	\$3,660,917	\$ 171,905	\$ 113,710
Fund balances:			
Reserved for debt service	\$ -	\$ -	\$ 2,943
Unreserved	49,122	119,559	-
Total fund balances	\$ 49,122	\$ 119,559	\$ 2,943
Total liabilities and fund balances	\$3,710,039	\$ 291,464	\$ 116,653

See Notes to Financial Statements.

<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 241,707	\$ 62,440	\$1,027,451
-	1,856	36,785
-	225,000	2,583,022
-	-	224,625
-	1,171	1,733
27,931	-	73,684
-	-	5,234
-	-	725,727
<u>\$ 269,638</u>	<u>\$ 290,467</u>	<u>\$4,678,261</u>
\$ 43,772	\$ 47,730	\$ 188,152
-	7,614	547,849
-	-	727,000
-	225,000	2,583,022
-	-	224,625
<u>\$ 43,772</u>	<u>\$ 280,344</u>	<u>\$4,270,648</u>
\$ -	\$ -	\$ 2,943
225,866	10,123	404,670
<u>\$ 225,866</u>	<u>\$ 10,123</u>	<u>\$ 407,613</u>
<u>\$ 269,638</u>	<u>\$ 290,467</u>	<u>\$4,678,261</u>

ST. ANSGAR 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 21)	\$ 407,613
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,334,851
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	224,625
The Internal Service Funds are used by management to charge the costs of employee health expenses to individual funds. The assets of the Internal Service Funds are reported as assets in the governmental funds.	61,044
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,390,000)
Net assets of governmental activities (page 15)	<u>\$1,638,133</u>

See Notes to Financial Statements.

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

	<u>General</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>
Revenues:			
Local sources:			
Local tax	\$2,247,256	\$ 102,241	\$ 115,549
Tuition	128,749	-	-
Other	47,804	2,289	34,848
State sources	2,764,817	2,434	87
Federal sources	171,815	-	-
Total revenues	<u>\$5,360,441</u>	<u>\$ 106,964</u>	<u>\$ 150,484</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$2,663,818	\$ 29,452	\$ -
Special instruction	691,043	-	-
Other instruction	309,393	-	-
	<u>\$3,664,254</u>	<u>\$ 29,452</u>	<u>\$ -</u>
Support services:			
Student services	\$ 114,276	\$ -	\$ -
Instructional staff services	129,199	-	-
Administration services	527,718	-	-
Operation and maintenance of plant services	444,511	5,440	-
Transportation services	275,640	13,746	-
	<u>\$1,491,344</u>	<u>\$ 19,186</u>	<u>\$ -</u>
Non instructional programs	<u>\$ 429</u>	<u>\$ -</u>	<u>\$ -</u>
Other expenditures:			
Facilities acquisition	\$ -	\$ 13,378	\$ -
Long-term debt:			
Principal	-	-	2,435,000
Interest and fiscal charges	-	-	196,094
AEA flowthrough	211,638	-	-
	<u>\$ 211,638</u>	<u>\$ 13,378</u>	<u>\$ 2,631,094</u>
Total expenditures	<u>\$5,367,665</u>	<u>\$ 62,016</u>	<u>\$ 2,631,094</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (7,224)</u>	<u>\$ 44,948</u>	<u>\$(2,480,610)</u>

<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 301,183	\$ 118,979	\$ 2,885,208
-	-	128,749
8,439	268,268	361,648
-	90	2,767,428
-	-	171,815
<u>\$ 309,622</u>	<u>\$ 387,337</u>	<u>\$ 6,314,848</u>
\$ -	\$ 71,655	\$ 2,764,925
-	-	691,043
-	267,834	577,227
<u>\$ -</u>	<u>\$ 339,489</u>	<u>\$ 4,033,195</u>
\$ -	\$ 871	\$ 115,147
-	734	129,933
-	21,553	549,271
-	34,676	484,627
-	14,646	304,032
<u>\$ -</u>	<u>\$ 72,480</u>	<u>\$ 1,583,010</u>
<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 434</u>
\$ 107,774	\$ -	\$ 121,152
-	-	2,435,000
-	-	196,094
-	-	211,638
<u>\$ 107,774</u>	<u>\$ -</u>	<u>\$ 2,963,884</u>
<u>\$ 107,774</u>	<u>\$ 411,974</u>	<u>\$ 8,580,523</u>
<u>\$ 201,848</u>	<u>\$ (24,637)</u>	<u>\$ (2,265,675)</u>

(Continued)

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

	General	Physical Plant and Equipment Levy	Debt Service
Other financing sources (uses):			
Sales of equipment	\$ 94	\$ -	\$ -
Operating transfer in	-	-	144,000
Operating transfer out	-	-	-
	-	-	-
Total other financing sources (uses)	\$ 94	\$ -	\$ 144,000
Net change in fund balances	\$ (7,130)	\$ 44,948	\$(2,336,610)
Fund balances beginning of year	56,252	74,611	2,339,553
Fund balances end of year	\$ 49,122	\$ 119,559	\$ 2,943

<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 94
-	-	144,000
<u>(144,000)</u>	<u>-</u>	<u>(144,000)</u>
<u>\$ (144,000)</u>	<u>\$ -</u>	<u>\$ 94</u>
\$ 57,848	\$ (24,637)	\$ (2,265,581)
<u>168,018</u>	<u>34,760</u>	<u>2,673,194</u>
<u>\$ 225,866</u>	<u>\$ 10,123</u>	<u>\$ 407,613</u>

See Notes to Financial Statements.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
To the Statement of Activities
Year ended June 30, 2005

Net change in fund balances - total governmental funds **\$(2,265,581)**
 (page 26)

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

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

Expenditures for capital assets	\$ 98,148	
Depreciation expense	<u>(226,079)</u>	(127,931)

Certain delinquent property tax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. 29,257

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

Repaid	2,435,000
--------	-----------

The Internal Service Fund is used by management to charge the costs of employee health expenses to individual funds. The change on the net assets of the Internal Service Fund is reported with governmental activities. (3,283)

Change in net assets of governmental activities (page 19) **\$ 67,462**

See Notes to Financial Statements.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2005

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>School Nutrition</u>	<u>FFA Farm</u>	<u>Total</u>	<u>Employee Health</u>
ASSETS:				
Cash and investments	\$ 8,331	\$ 8,626	\$ 16,957	\$ 61,044
Accounts receivable	100	-	100	-
Inventories	2,493	-	2,493	-
Capital assets, net of accumulated depreciation	<u>11,241</u>	<u>-</u>	<u>11,241</u>	<u>-</u>
Total assets	<u>\$ 22,165</u>	<u>\$ 8,626</u>	<u>\$ 30,791</u>	<u>\$ 61,044</u>
LIABILITIES:				
Salaries and benefits payable	\$ 6	\$ -	\$ 6	\$ -
Deferred revenue	<u>4,185</u>	<u>-</u>	<u>4,185</u>	<u>-</u>
Total liabilities	<u>\$ 4,191</u>	<u>\$ -</u>	<u>\$ 4,191</u>	<u>\$ -</u>
NET ASSETS:				
Invested in capital assets, net of related debt	\$ 11,241	\$ -	\$ 11,241	\$ -
Unrestricted	<u>6,733</u>	<u>8,626</u>	<u>15,359</u>	<u>61,044</u>
Total net assets	<u>\$ 17,974</u>	<u>\$ 8,626</u>	<u>\$ 26,600</u>	<u>\$ 61,044</u>

See Notes to Financial Statements.

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

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>School Nutrition</u>	<u>FFA Farm</u>	<u>Total</u>	<u>Employee Health</u>
Operating revenue:				
Local sources	\$ 190,273	\$ 4,714	\$ 194,987	\$ 256
Operating expenses:				
Non-instructional programs:				
Salaries and benefits	\$ 154,635	\$ -	\$ 154,635	\$ -
Purchased services	2,824	60	2,884	3,539
Supplies	148,120	253	148,373	-
Depreciation	1,611	-	1,611	-
Other	845	-	845	-
Total operating expenses	<u>\$ 308,035</u>	<u>\$ 313</u>	<u>\$ 308,348</u>	<u>\$ 3,539</u>
Operating income (loss)	\$(117,762)	\$ 4,401	\$(113,361)	\$ (3,283)
Non-operating revenues:				
Local sources	\$ 338	\$ -	\$ 338	\$ -
State sources	4,636	-	4,636	-
Federal sources	107,560	-	107,560	-
Total non-operating revenues	<u>\$ 112,534</u>	<u>\$ -</u>	<u>\$ 112,534</u>	<u>\$ -</u>
Change in net assets	\$ (5,228)	\$ 4,401	\$ (827)	\$ (3,283)
Net assets beginning of year	<u>23,202</u>	<u>4,225</u>	<u>27,427</u>	<u>64,327</u>
Net assets end of year	<u>\$ 17,974</u>	<u>\$ 8,626</u>	<u>\$ 26,600</u>	<u>\$ 61,044</u>

See Notes to Financial Statements.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2005

	<u>Enterprise School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 190,242
Cash paid to employees for services	(154,629)
Cash paid to suppliers for goods or services	(137,104)
Cash received from grain sales	-
Cash reimbursed from operating funds	-
Cash payments for medical expenses	-
Net cash used by operating activities	<u>\$ (101,491)</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 4,636
Federal grants received	92,582
Net cash provided by non-capital financing activities	<u>\$ 97,218</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ (2,456)</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 338</u>
Net increase (decrease) in cash and cash equivalents	\$ (6,391)
Cash and cash equivalents beginning of year	<u>14,722</u>
Cash and cash equivalents end of year	<u>\$ 8,331</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating income (loss)	\$(117,762)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	14,792
Depreciation	1,611
Increase (decrease) in accounts receivable	(100)
Increase in inventories	(47)
(Decrease) in accounts payable	(60)
Increase in salaries and benefits payable	6
Increase in deferred revenue	<u>69</u>
Net cash used by operating activities	<u>\$ (101,491)</u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2005, the District received \$14,978 of federal commodities.	

See Notes to Financial Statements.

<u>Funds</u>		<u>Internal</u>
<u>FFA</u>		<u>Service Fund</u>
<u>Farm</u>	<u>Total</u>	<u>Employee</u>
		<u>Health</u>
\$ -	\$ 190,242	\$ -
-	(154,629)	-
(313)	(137,417)	-
4,714	4,714	-
-	-	411
-	-	(3,539)
<u>\$ 4,401</u>	<u>\$ (97,090)</u>	<u>\$ (3,128)</u>
\$ -	\$ 4,636	\$ -
-	92,582	-
<u>\$ -</u>	<u>\$ 97,218</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ (2,456)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 338</u>	<u>\$ -</u>
\$ 4,401	\$ (1,990)	\$ (3,128)
<u>4,225</u>	<u>18,947</u>	<u>64,172</u>
<u>\$ 8,626</u>	<u>\$ 16,957</u>	<u>\$ 61,044</u>
\$ 4,401	\$(113,361)	\$ (3,283)
-	14,792	-
-	1,611	155
-	(100)	-
-	(47)	-
-	(60)	-
-	6	-
-	69	-
<u>\$ 4,401</u>	<u>\$ (97,090)</u>	<u>\$ (3,128)</u>

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and investments	\$ 154,992
Accrued interest receivable	9
Total assets	<u>\$ 155,001</u>
Liabilities	
Accounts payable	<u>\$ 500</u>
Net assets	
Reserved for scholarships	<u><u>\$ 154,501</u></u>

See Notes to Financial Statements.

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

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 1,000
Interest income	3,942
Other	35
Total additions	<u>\$ 4,977</u>
Deductions:	
Support services:	
Scholarships awarded	<u>5,225</u>
Change in net assets	\$ (248)
Net assets beginning of year	<u>154,749</u>
Net assets end of year	<u>\$ 154,501</u>

See Notes to Financial Statements.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies

The St. Ansgar Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of St. Ansgar, Carpenter, Stacyville and Grafton, Iowa and the predominate agricultural territory in Worth and Mitchell Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the St. Ansgar 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 St. Ansgar Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Mitchell and Worth County Assessor's Conference Board.

B. Basis of Presentation

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

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies - continued

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

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

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

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

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

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

The District reports the following major governmental funds:

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

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies - continued

The Physical Plant and Equipment Levy Fund is used to account for all resources used in the major repair of capital facilities.

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

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

The District reports the following major proprietary fund:

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

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies - continued

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

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

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

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies - continued

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds 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.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies - continued

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

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

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

Asset Class	Amount
Land	\$ 500
Buildings	500
Improvements other than buildings	500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

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

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies - continued

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

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

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

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

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

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

E. **Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the instruction and support services functional areas exceeded the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

(2) **Cash and Investments**

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

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

The carrying amount and market value of the District's investments at June 30, 2005 are as follows:

<u>Type</u>	<u>Category</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Common Stock	1	\$ 14,971	\$ 22,601

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

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

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(3) Iowa School cash Anticipation Program (ISCAP) - continued

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2004-05A	6/30/04	6/30/05	\$ 725,727	\$ -	\$ 727,000	\$ -

The district pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2004-05A	\$ -	\$490,000	\$490,000	\$ -

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2004-05A	3.000%	2.463%

(4) Capital Assets

Capital assets activity for the year ended June 30, 2005 was 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	\$ 65,900	\$ -	\$ -	\$ 65,900
Capital assets being depreciated:				
Buildings and improvements	\$ 4,915,867	\$ 2,875	\$ -	\$ 4,918,742
Furniture and equipment	3,170,575	95,273	-	3,265,848
Total capital assets being Depreciated	\$ 8,086,442	\$ 98,148	\$ -	\$ 8,184,590

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(4) Capital Assets - continued

	<u>Balance Beginning Of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,793,171	\$ 94,946	\$ -	\$ 1,888,117
Furniture and equipment	2,896,389	131,133	-	3,027,522
Total accumulated depreciation	<u>\$ 4,689,560</u>	<u>\$ 226,079</u>	<u>\$ -</u>	<u>\$ 4,915,639</u>
 Total capital assets being depreciated, net	 <u>\$ 3,396,882</u>	 <u>\$ (127,931)</u>	 <u>\$ -</u>	 <u>\$ 3,268,951</u>
 Governmental activities capital assets, net	 <u>\$ 3,462,782</u>	 <u>\$ (127,931)</u>	 <u>\$ -</u>	 <u>\$ 3,334,851</u>
 Business type activities:				
Furniture and equipment	\$ 83,604	\$ 2,456	\$ -	\$ 86,060
Less accumulated depreciation	<u>73,208</u>	<u>1,611</u>	<u>-</u>	<u>74,819</u>
Business type activities capital assets, net	<u>\$ 10,396</u>	<u>\$ 845</u>	<u>\$ -</u>	<u>\$ 11,241</u>
 Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				<u>\$ 226,079</u>
Business type activities:				
Food service operations				<u>\$ 1,611</u>

(5) Long-Term Liabilities

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

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
General obligation bonds	\$4,825,000	\$ -	\$2,435,000	\$ 2,390,000	\$ 205,000

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay. Early retirement benefits paid during the year ended June 30, 2005 totaled \$33,888.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(5) **Long-Term Liabilities** - Continued

General Obligation Bonds Payable

Year Ending June 30,	Bond Issue of March 24, 2004			
	Interest Rate	Principal	Interest	Total
2006	1.70%	\$ 205,000	\$ 63,710	\$ 268,710
2007	2.05	210,000	60,943	270,943
2008	2.35	215,000	57,373	272,373
2009	2.55	220,000	52,965	272,965
2010	2.80	225,000	47,795	272,795
2011-2015	2.80-3.50	1,215,000	138,637	1,353,637
2016	3.60	100,000	3,600	103,600
		<u>\$2,390,000</u>	<u>\$425,023</u>	<u>\$2,815,023</u>

(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, IA, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$195,798, \$185,344 and \$181,435 respectively, equal to the required contributions for each year.

(7) **Risk Management**

St. Ansgar 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.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(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 \$211,638 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) Related Party Transactions

The District had business transactions between the District and District officials or employees, totaling \$5,641 during the year ended June 30, 2005.

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

	<u>Governmental Fund Actual</u>	<u>Proprietary Fund Actual</u>
RECEIPTS:		
Local sources	\$ 3,328,043	\$ 195,291
State sources	2,767,428	4,636
Federal sources	171,815	92,582
Total receipts	<u>\$ 6,267,286</u>	<u>\$ 292,509</u>
DISBURSEMENTS:		
Instruction	\$ 3,957,645	\$ -
Support services	1,583,010	-
Non-instructional programs	434	294,499
Other expenditures	2,963,884	-
Total disbursements	<u>\$ 8,504,973</u>	<u>\$ 294,499</u>
Deficiency of receipts under disbursements	\$(2,237,687)	\$ (1,990)
Other financing sources	<u>94</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	\$(2,237,593)	\$ (1,990)
Balance beginning of year	<u>3,265,044</u>	<u>18,947</u>
Balance end of year	<u>\$ 1,027,451</u>	<u>\$ 16,957</u>

See Accompanying Independent Auditor's Report.

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
\$ 3,523,334	\$3,392,088	\$ 3,392,088	\$ 131,246
2,772,064	2,792,122	2,792,122	(20,058)
264,397	253,890	253,890	10,507
<u>\$ 6,559,795</u>	<u>\$6,438,100</u>	<u>\$ 6,438,100</u>	<u>\$ 121,695</u>
\$ 3,957,645	\$3,731,192	\$ 4,200,000	\$ 242,355
1,583,010	1,741,872	1,921,750	338,740
294,933	294,739	348,000	53,067
2,963,884	882,412	3,500,000	536,116
<u>\$ 8,799,472</u>	<u>\$6,650,215</u>	<u>\$ 9,969,750</u>	<u>\$ 1,170,278</u>
\$(2,239,677)	\$ (212,115)	\$(3,531,650)	\$ 1,291,973
<u>94</u>	<u>-</u>	<u>-</u>	<u>94</u>
\$(2,239,583)	\$ (212,115)	\$(3,531,650)	\$ 1,292,067
<u>3,283,991</u>	<u>1,217,909</u>	<u>1,217,909</u>	<u>2,066,082</u>
<u>\$ 1,044,408</u>	<u>\$1,005,794</u>	<u>\$(2,313,741)</u>	<u>\$ 3,358,149</u>

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 6,267,286	\$ 39,872	\$ 6,307,158
Expenditures	8,504,973	75,550	8,580,523
Net	<u>\$ (2,237,687)</u>	<u>\$ (35,678)</u>	<u>\$ (2,273,365)</u>
Other financing sources, net	94	-	94
Beginning fund balances	<u>3,265,044</u>	<u>(591,850)</u>	<u>2,673,194</u>
Ending fund balances	<u>\$ 1,027,451</u>	<u>\$ (627,528)</u>	<u>\$ 399,923</u>

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 292,509	\$ 15,012	\$ 307,521
Expenses	294,499	13,849	308,348
	<u>\$ (1,990)</u>	<u>\$ 1,163</u>	<u>\$ (827)</u>
Beginning net assets	<u>18,947</u>	<u>8,480</u>	<u>27,427</u>
Ending net assets	<u>\$ 16,957</u>	<u>\$ 9,643</u>	<u>\$ 26,600</u>

See Accompanying Independent Auditor's Report.

ST. ANSGAR 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 \$3,319,535 in order to account for the general obligation bonds called during the year.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	<u>Management</u>	<u>Student Activity</u>	<u>Total</u>
ASSETS:			
Cash and investments	\$ 5,679	\$ 56,761	\$ 62,440
Receivables:			
Property tax:			
Delinquent	1,856	-	1,856
Succeeding year	225,000	-	225,000
Accounts	-	1,171	1,171
	<u>232,535</u>	<u>57,932</u>	<u>290,467</u>
Total assets	<u>\$232,535</u>	<u>\$ 57,932</u>	<u>\$290,467</u>
 LIABILITIES AND FUND EQUITY:			
Liabilities:			
Accounts payable	\$ 47,515	\$ 215	\$ 47,730
Salaries and benefits payable	7,536	78	7,614
Deferred revenue:			
Succeeding year property tax	225,000	-	225,000
Total liabilities	<u>\$280,051</u>	<u>\$ 293</u>	<u>\$280,344</u>
Fund equity:			
Unreserved, undesignated fund balance	<u>(47,516)</u>	<u>57,639</u>	<u>10,123</u>
Total liabilities and fund equity	<u>\$232,535</u>	<u>\$ 57,932</u>	<u>\$290,467</u>

See Accompanying Independent Auditor's Report.

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

	<u>Management</u>	<u>Student Activity</u>	<u>Total</u>
REVENUES:			
Local sources:			
Local tax	\$ 118,979	\$ -	\$118,979
Other	1,663	266,605	268,268
State sources	90	-	90
Total revenues	<u>\$ 120,732</u>	<u>\$266,605</u>	<u>\$387,337</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	\$ 71,655	\$ -	\$ 71,655
Other instruction	-	267,834	267,834
Support services:			
Student services	871	-	871
Instruction staff services	734	-	734
Administration services	21,553	-	21,553
Operation and maintenance of plant services	34,676	-	34,676
Transportation services	14,646	-	14,646
Non-instruction programs	5	-	5
Total expenditures	<u>\$ 144,140</u>	<u>\$267,834</u>	<u>\$411,974</u>
Deficiency of revenues under expenditures	\$ (23,408)	\$ (1,229)	\$ (24,637)
Balance beginning of year	<u>(24,108)</u>	<u>58,868</u>	<u>34,760</u>
Balance end of year	<u>\$ (47,516)</u>	<u>\$ 57,639</u>	<u>\$ 10,123</u>

See Accompanying Independent Auditor's Report.

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

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>
Drama	\$ 5,801	\$ 1,868	\$ 1,464
Speech	510	500	844
Vocal Music	1,447	842	4,384
Choir Robes	3,179	2,143	5,313
Choir Trip	613	42,330	42,748
Vocal music activities	-	9,654	7,500
Instrument Rent	1,114	75	52
High School Band	1,096	2,492	4,062
Middle School Band	3	-	-
Band Uniforms	1,423	135	468
Music Concessions	500	9,007	4,795
Athletics - General	5,548	58,864	61,624
Middle School Sports	341	7,594	7,962
Baseball	-	-	51
Middle School Student Council	513	6,818	7,827
Student Council	171	2,416	4,495
Elementary Student Council	1,103	10,284	11,216
Annual	2,378	16,224	15,352
Art Club	2,035	-	-
Cheerleaders	4,266	9,748	11,396
German Club	5,284	3,579	3,645
Industrial Arts Club	1,273	1,158	85
Revolving Shop - Middle School	282	-	-
Class of 2006	480	28,164	23,641
Class of 2005	4,972	(929)	3,866
Class of 2004	1,199	-	-
Class of 2007	(41)	2,145	1,501
FFCLA	283	2,629	2,608
Spanish Club	3,570	3,109	2,410
Stars Club	-	4,321	3,274
FFA	5,064	28,023	27,224
Student Pictures	2,305	3,030	548
Teachers' Fund	580	6,173	3,971
Towel Rental	31	3,437	1,663
Insurance	-	315	315
Petty Cash	100	-	-
Community Education	1,206	70	1,139
Odyssey (Elementary)	239	387	391
Total	<u>\$ 58,868</u>	<u>\$266,605</u>	<u>\$267,834</u>

See Accompanying Independent Auditor's Report.

<u>Intrafund</u> <u>Transfer</u>	<u>Balance</u> <u>End of Year</u>
\$ -	\$ 6,205
335	501
2,100	5
-	9
446	641
75	2,229
-	1,137
1,579	1,105
-	3
-	1,090
(3,870)	842
(400)	2,388
72	45
-	(51)
500	4
2,000	92
-	171
1,351	4,601
-	2,035
(145)	2,473
-	5,218
-	2,346
-	282
32	5,035
-	177
(1,199)	-
-	603
-	304
-	4,269
-	1,047
111	5,974
(1,636)	3,151
(1,321)	1,461
-	1,805
-	-
-	100
(30)	107
-	235
<u>\$ -</u>	<u>\$ 57,639</u>

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

	Modified Accrual Basis			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$2,885,208	\$2,939,844	\$2,868,203	\$2,558,612
Tuition	128,749	132,425	103,402	117,142
Other	361,648	295,047	311,367	253,793
State sources	2,767,428	2,410,644	2,523,696	2,752,933
Federal sources	171,815	142,765	153,485	130,810
Total	<u>\$6,314,848</u>	<u>\$5,920,725</u>	<u>\$5,960,153</u>	<u>\$5,813,290</u>
Expenditures:				
Instruction:				
Regular instruction	\$2,764,925	\$2,633,020	\$2,442,552	\$2,470,931
Special instruction	691,043	664,163	605,152	649,598
Other instruction	577,227	532,842	527,948	588,207
Support services:				
Student services	115,147	114,685	203,410	67,819
Instructional staff services	129,933	181,098	176,937	161,995
Administration services	549,271	525,642	490,497	517,523
Operation and maintenance of plant services	484,627	433,465	368,177	375,328
Transportation services	304,032	319,713	238,292	228,825
Non-instructional programs	434	1,844	731	797
Other expenditures:				
Facilities acquisition	121,152	116,718	204,404	239,187
Long-term debt:				
Principal	2,435,000	140,000	130,000	125,000
Interest and other charges	196,094	210,835	151,239	160,145
AEA flowthrough	211,638	211,147	227,250	229,703
Total	<u>\$8,580,523</u>	<u>\$6,085,172</u>	<u>\$5,766,589</u>	<u>\$5,815,058</u>

See Accompanying Independent Auditor's Report.



Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616

E-mail: rlp@fiai.net

(641) 257-4222
or (641) 228-2812
Fax (641) 228-1513

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
St. Ansgar Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the St. Ansgar Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated September 7, 2005. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the St. Ansgar Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



September 7, 2005

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Schedule of Findings
Year Ended June 30, 2005

Part I: Summary of the Independent Auditor's Results

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

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

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

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

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

Conclusion - Response accepted.

II-B-05 Student Activity Accounts - The district has an individual Student Activity Account with a deficit balance at June 30, 2005.

Recommendation - The District should determine a method to eliminate this deficit to restore this balance to a sound financial condition.

Response - We will consider a method to eliminate this deficit.

Conclusion - Response accepted.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 Schedule of Findings
 Year Ended June 30, 2005

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-05 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- IV-B-05 Certified Budget - Disbursements for the year ended June 30, 2005, did not exceed the amounts budgeted.
- IV-C-05 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-E-05 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Glenn Cimmiyotti, Board Member, spouse of owner of Bawek's Shoe and Clothing Store	Extracurricular Clothing items	\$ 19
Glenn Cimmiyotti, Board Member, co-owner of Gordy's	Equipment repairs and parts	862
David and Jolene Juhl, Employees, co-owners of St. Ansgar Landscaping	Grass seed	196
Diann Tabbert, Employee owner of Country Cakes Etc.	Supplies	562
Joni DeMaris, Employee, spouse of owner of Al's Electric	Repairs/supplies	4,002

In accordance with an Attorney General's opinion dated November 9, 1976, these transactions may represent a conflict of interest.

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

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
Schedule of Findings
Year Ended June 30, 2005

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

Response - We will consult our attorney.

Conclusion - Response accepted.

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

IV-G-05 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

IV-H-05 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

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

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

IV-K-05 Financial Condition - The Management Fund had a deficit balance at June 30, 2005 of \$47,516.

Recommendation - The District should investigate alternatives to eliminate this deficit in order to return this account to a sound financial position.

Response - Future property tax collections will be used to restore the balance to sound financial position.

Conclusion - Response accepted.

IV-L-05 Financial Condition - As previously noted, one Student Activity Account had a deficit account at June 30, 2005.

Recommendation - The District should evaluate the alternatives to eliminate the deficit and restore the account to a sound financial condition.

Response - We are working on this.

Conclusion - Response accepted.

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