

ANAMOSA COMMUNITY SCHOOL DISTRICT
ANAMOSA, IOWA

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

JUNE 30, 2006

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	7-21
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A Statement of Net Assets	24-25
B Statement of Activities	26-29
Governmental Fund Financial Statements:	
C Balance Sheet	30-31
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	32
E Statement of Revenues, Expenditures and Changes in Fund Balances	33-34
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	35
Proprietary Fund Financial Statements:	
G Statement of Net Assets	36
H Statement of Revenues, Expenses and Changes in Net Assets	37
I Statement of Cash Flows	38-39
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Net Assets	40
K Statement of Changes in Fiduciary Net Assets	41
Notes to Financial Statements	42-55
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances – Budget and Actual (Accrual Basis) – All Governmental Funds and Proprietary Funds	58
Notes to Required Supplementary Information – Budgetary Reporting	59
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	62-63
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	64-67
Nonmajor Enterprise Funds:	
3 Combining Schedule of Net Assets	68
4 Combining Schedule of Revenues, Expenses and Changes in Net Assets	69
5 Combining Schedule of Cash Flows	70-71
6 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	72-73
7 Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	74
8 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	75
9 Schedule of Expenditures of Federal Awards	76
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	77-78

TABLE OF CONTENTS
(continued)

	Page
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	79-80
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	81-84

ANAMOSA COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2005 Election)		
Jim Mitchel	President	2007
LeAnn Ridgeway	Vice President	2006
Brian Darrow	Board Member	2005
Julie Fall	Board Member	2005
Sharon Weideman	Board Member	2006
Scott Werling	Board Member	2006
Julie Von Muenster	Board Member	2007

<u>Board of Education</u>		
(After September 2005 Election)		
Jim Mitchel	President	2007
Sharon Weideman	Vice President	2006
LeAnn Ridgeway	Board Member	2006
Scott Werling	Board Member	2006
Julie Von Muenster	Board Member	2007
Julie Fall	Board Member	2008
Brian Darrow	Board Member	2008

<u>School Officials</u>		
Carol Lensing	Superintendent	2006
Don L. Folkerts	District Secretary	2006
Linda Von Behren	District Treasurer	2006
Brian Gruhn	Attorney	2006
Adrian Knuth Law Firm	Attorney	2006

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Anamosa 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 Anamosa Community School District, Iowa, as of and for the year ended June 30, 2006, 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 basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Anamosa Community School District as of June 30, 2006, 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, we have also issued our report dated August 25, 2006 on our consideration of Anamosa 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.

The Management's Discussion and Analysis and budgetary comparison information on pages 7 through 21 and 58 through 59 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, 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 Anamosa 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, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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.

Oskaloosa, Iowa
August 25, 2006

Management's Discussion and Analysis

Anamosa Community School District provides this discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2006. Please consider this information in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- Fuel prices remained high during the year. The District expended 32%, or \$17,250 more on fuel in fiscal year '06 than in the previous fiscal year and 84%, or \$32,352 more than two fiscal years ago.
- Interest rates continued a favorable climb upward resulting in an increase in interest income of \$83,281 or 162%.
- The 1997 general obligation bonds became callable on June 1, 2006. The District used \$710,000 in Local Option Sales and Services Tax (LOSST) funds to call these bonds with maturity dates of 2015 and 2016.
- The District completed its first year of offering a half day preschool program for four year olds.
- The football stadium bleachers were refurbished at a cost of approximately \$25,000 using Physical Plant and Equipment levy funds.
- The District designated and spent \$135,000 from the general fund balance for the purposes of technology, curriculum, and professional development for the 2005-2006 year.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates *like businesses*, such as food services.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

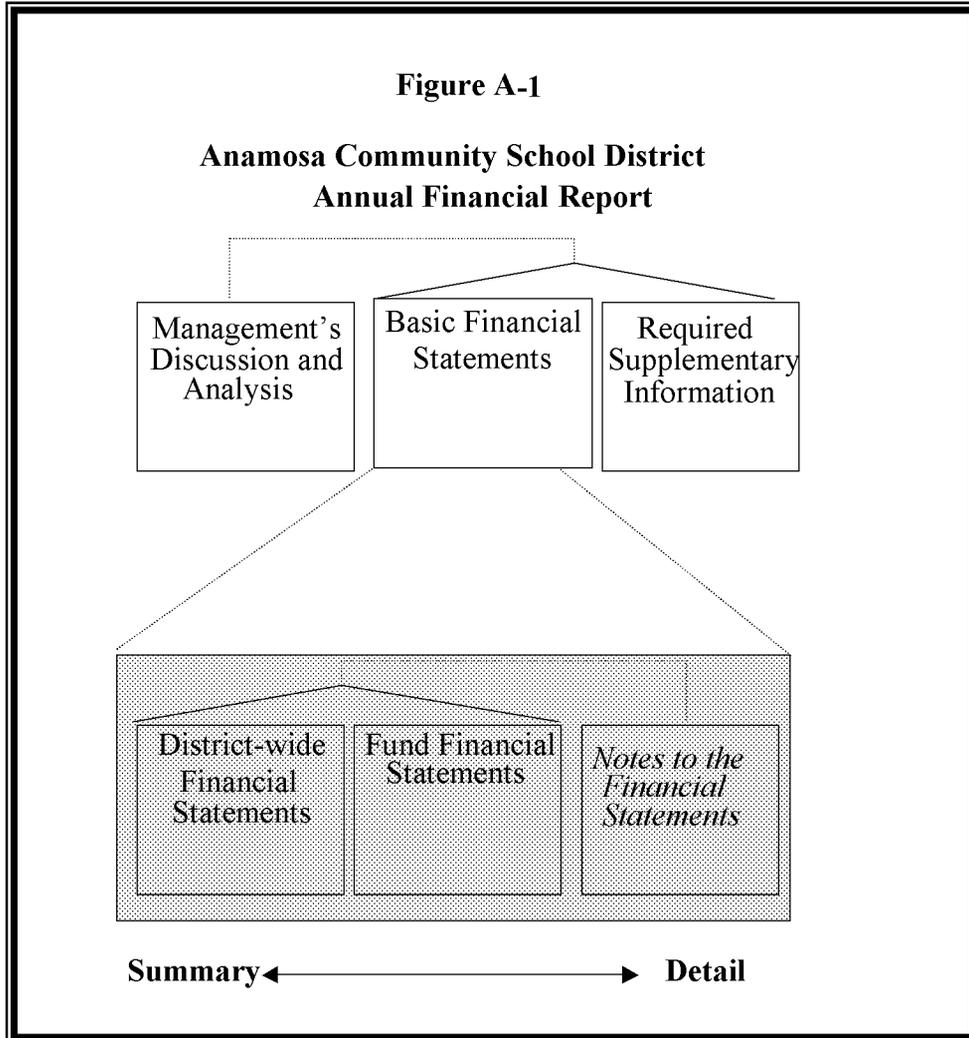


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

Figure A-2: Major Features of the District Wide and Fund Financial Statements				
	District-wide Statements	Fund Financial 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 is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and agency fund monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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 and payable	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

District-wide Financial Statements

The district-wide 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 district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is 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 its 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 district-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 taxes and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service program, construction trades program, as well as the new preschool program would be 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 repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *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 the reader 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 district-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, Debt Service Fund, and Capital Projects Fund.

- *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 district-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 has three enterprise funds, the School Nutrition Fund, the Construction Trades Fund, and the Preschool Fund. *Internal service funds*, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. The District has one internal service fund, the Employee Group Health Fund.
- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
 - Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other entities.

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

Financial Analysis of the District as a Whole

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
	Current and other assets	\$ 7,918,716	\$ 7,817,312	\$ 127,967	\$ 109,537	\$ 8,046,683
Capital assets	<u>7,272,082</u>	<u>7,232,869</u>	<u>101,211</u>	<u>88,923</u>	<u>7,373,293</u>	<u>7,321,792</u>
Total assets	<u>\$ 15,190,798</u>	<u>\$ 15,050,181</u>	<u>\$ 229,178</u>	<u>\$ 198,460</u>	<u>\$ 15,419,976</u>	<u>\$ 15,248,641</u>
Long-term obligations	\$ 4,232,870	\$ 3,248,105	\$ 26,000	\$ 52,000	\$ 4,258,870	\$ 3,300,105
Other liabilities	<u>4,245,393</u>	<u>4,179,162</u>	<u>52,941</u>	<u>14,839</u>	<u>4,298,334</u>	<u>4,194,001</u>
Total liabilities	<u>\$ 8,478,263</u>	<u>\$ 7,427,267</u>	<u>\$ 78,941</u>	<u>\$ 66,839</u>	<u>\$ 8,557,204</u>	<u>\$ 7,494,106</u>
Net assets						
Invested in capital assets, net of related debt	\$ 3,082,082	\$ 4,042,869	\$ 101,211	\$ 88,923	\$ 3,183,293	\$ 4,131,792
Restricted	791,909	791,653	-	-	791,909	791,653
Unrestricted	<u>2,838,544</u>	<u>2,788,392</u>	<u>49,026</u>	<u>42,698</u>	<u>2,887,570</u>	<u>2,831,090</u>
Total net assets	<u>\$ 6,712,535</u>	<u>\$ 7,622,914</u>	<u>\$ 150,237</u>	<u>\$ 131,621</u>	<u>\$ 6,862,772</u>	<u>\$ 7,754,535</u>

Net assets from governmental activities increased by \$910,379 in FY '06. This is mainly due to the district retiring principal on its long term debt faster than its capital assets are decreasing in value. The net assets of the District's business-type activities decreased \$18,616. (See Figure A-4)

Figure A-4

Changes in Net Assets from Operating Results

	Governmental Activities		Business-type Activities		Total School District	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
Revenues						
Program revenues						
Charges for services	\$ 918,829	\$ 1,154,275	\$ 344,489	\$ 540,226	\$ 1,263,318	\$ 1,694,501
Operating Grants & Contributions	1,610,327	1,612,280	211,850	226,559	1,822,177	1,838,839
Capital Grants & Contributions	-	-	28,781	2,831	28,781	2,831
General revenues						
Property taxes	3,267,552	3,375,533	-	-	3,267,552	3,375,533
Other taxes	924,729	988,190	-	-	924,729	988,190
Unrestricted Grants/Entitlements & interest	5,246,747	5,652,580	290	348	5,247,037	5,652,928
Total revenues	\$ 11,968,184	\$12,782,858	\$ 585,410	\$ 769,964	\$12,553,594	\$13,552,822
Expenses						
Instruction	\$ 6,722,943	\$ 7,411,344	-	-	\$ 6,722,943	\$ 7,411,344
Support Services	3,068,187	3,619,348	-	-	3,068,187	3,619,348
Debt Service, interest on long-term debt	230,276	212,451	-	-	230,276	212,451
Other	662,164	629,336	567,705	788,580	1,229,869	1,417,916
Total expenses	\$ 10,683,570	\$11,872,479	\$ 567,705	\$ 788,580	\$10,665,877	\$12,661,059
Change in net assets	\$ <u>1,284,614</u>	\$ <u>910,379</u>	\$ <u>17,705</u>	\$ <u>(18,616)</u>	\$ <u>1,302,319</u>	\$ <u>891,763</u>

Figure A-5 shows the sources of revenues of governmental funds for 2006. State Aid made up 42.7% of total revenues, a slight decrease from 43.1% the previous year. Property Taxes made up 26.4% of revenues, a decrease from 27.3% last year. Federal & State categorical grants made up 12.6% of the revenues compared to 13.4% last year. Charges for services as a percentage of total revenues increased from 7.7% to 9.0%. This is primarily due to the reclassification of Medicaid Revenues from Operating Grants and Contributions to Charges for Services in the category of Special Instruction in the current year. Investment earnings made up 1.5% of total revenues for 2006 compared to .7% in 2005, reflecting continued higher interest rates in 2006.

Figure A-5 Governmental Funds - Sources of Revenues for 2006

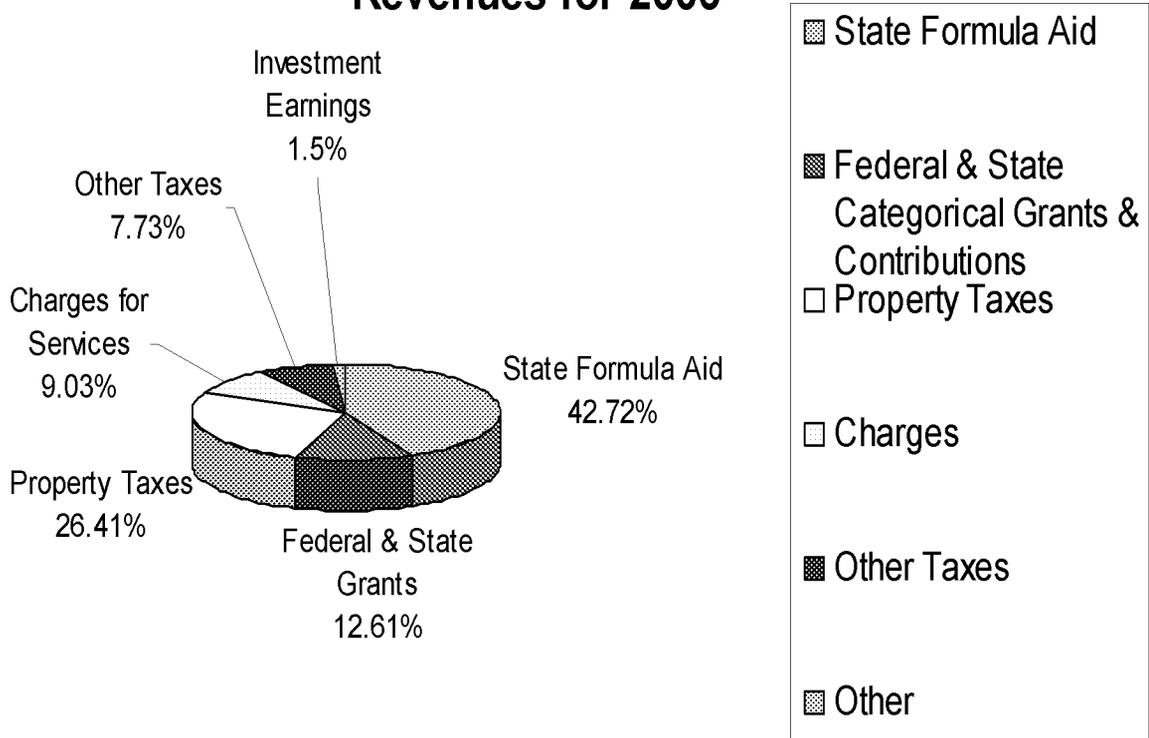


Figure A-6 presents the expenses of the District's governmental funds divided into seven categories and presents them as a percent of all governmental funds expenses. Instructional expenses made up 62.4% of all governmental funds expenses. This is up from 61.6% in 2005. Pupil and Instructional Support, which includes media, guidance, and technology support, made up 10.3% of all expenses. Administration represented 7.7% of all expenses. Maintenance and Transportation accounted for 7.6% and 4.9% respectively. Debt Service accounted for 1.8% and All Other was 5.3% of total expenses.

**Figure A-6
Governmental Fund
Expenses for 2006**

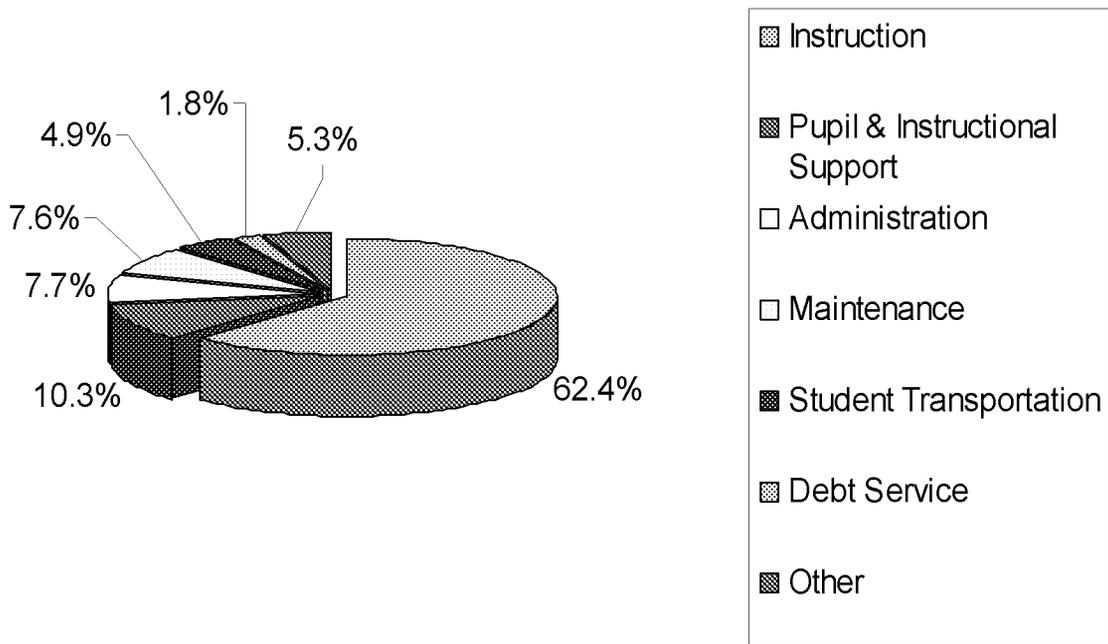


Figure A-7 presents the cost of four major district activities: instruction, support services including maintenance and transportation, debt service, and other. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-7

**Total and Net Cost of Governmental
Activities**

	Total Cost of Services		Net Cost of Services	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
Instruction	\$ 6,722,943	\$ 7,411,344	\$ 4,940,047	\$ 5,610,765
Support Services	3,068,187	3,619,348	2,700,443	3,056,456
Debt Service	230,276	212,451	230,276	212,451
Other	<u>662,164</u>	<u>629,336</u>	<u>283,648</u>	<u>226,252</u>
Total	\$10,683,570	\$11,872,479	\$ 8,154,414	\$ 9,105,924

- The cost of all governmental activities this year was \$11,872,479.
- Some of the cost was financed by the users of the District's programs (see Figure A-4)
- The federal and state governments subsidized certain programs with grants and contributions in the amount of \$1,612,280, and charges for district services financed \$1,154,275.
- Most of the District's costs (\$9,105,924), however, were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$3,375,533 in property taxes, \$5,461,097 of unrestricted state aid based on the statewide finance formula, and investment earnings.

Business-Type Activities

Program revenues of the District's business-type activities increased to \$769,964 from \$585,410, an increase of \$184,554. This increase was due to the sale of the first Construction Trades home built in 2004-2005 (\$188,931) and the addition of the preschool program (\$17,128). Expenses for business-type activities increased to \$788,580 from \$567,705. The majority of this increase is attributed to the Construction Trades program. At the time of the sale of the home, the amount attributed to the home in inventory at June 30, 2005 is recognized as expense. The new preschool program also attributed to the increase in business type expenses in the amount of \$17,673. (Refer to Figure A-4.)

Financial Analysis of the District's Funds

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of approximately \$3,275,000. This is down from a combined governmental fund balance of approximately \$3,325,000 at June 30, 2005. Although the general fund balance increased by \$126,630, most of the non-major governmental funds experienced a decrease.

Governmental Fund Highlights

- The General Fund balance increased by 4.9% from approximately \$2,574,000 to approximately \$2,700,000. This increase can be attributed to a variety of factors. Cash reserve was levied in the amount of \$40,000 for fiscal year 2006. The district has levied for at-risk funding in each of the last three years. In fiscal year 2006, the amount levied for at-risk was \$150,000. At June 30, 2006, the at-risk carryover is approximately \$173,000, an increase of \$30,000 from fiscal year 2005. The primary purpose behind this levy is a summer reading academy, which takes place in July each summer. Consequently, the funding is being received in the fiscal year preceding the program.
- The Capital Projects Fund balance decreased \$93,115. This was due to the use of accumulated local option sales and services tax monies (LOSST) to call a portion of the 1997 general obligation bonds which became callable on June 1, 2006.
- The Physical Plant and Equipment Fund (PPEL) balance decreased by \$43,750. During fiscal year 2006, the District spent down a higher than usual balance from fiscal year 2005. Some of the items and projects funded from PPEL included a new bus at a cost of \$70,564, the refurbishment of the football stadium bleachers for approximately \$25,000, a used vehicle purchase, the replacement of two maintenance tractors, and the replacement of a section of windows at the high school.
- The Management Fund balance decreased by \$32,854. This is primarily due to two reasons: the workers compensation premiums increased approximately \$15,000 more than the amount levied and the first one-fourth of fiscal year 2006 early retiree benefits of approximately \$22,000 have been recognized as liabilities.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased by \$134 from June 30, 2005 to \$136,413 at June 30, 2006.

The Construction Trades Fund experienced a decrease in net assets of approximately \$18,000 from June 30, 2005. This decrease was the result of additional costs incurred on the 2004-2005 home and some small equipment purchases.

The new Preschool Fund net assets totaled \$848 at June 30, 2006. To the extent funds are available, costs for the preschool teacher are transferred into this fund from the General Fund, specifically from Title I and At Risk funds.

Budgetary Highlights

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 its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a basis consistent with generally accepted accounting principles (GAAP). Over the course of the year, the District amended its annual operating budget one time to reflect a function reclassification for two areas, moving the Alcohol Reduction grant and some food service expenditures into the support services function area. Also included in the amendment was an adjustment in total other expenditures to reflect a higher anticipated amount of LOSST funds to call the general obligation bonds. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Legal Budgetary Highlights

The District's total revenues were \$768,081 more than budgeted, a variance of 6.0%. This is due to a variety of reasons. LOSST revenues were approximately \$124,000 more than budgeted. The sale of the '04-05 construction trades home accounted for revenues of approximately \$188,000. This was included in the certified budget under "other sources" rather than within the revenues budget area. General Fund revenues were over budget by \$368,006 or 3.5%. This was primarily the result of investment earnings being significantly higher than estimated resulting in interest income of \$123,324 more than that included on the certified budget. Tuition and transportation fees received were approximately \$40,000 more than budgeted.

Total expenditures were less than the budgeted amount primarily due to adding the Alcohol Abuse prevention grant expenditures to the support services function area and not subtracting these budgeted expenditures from the instruction function area. It is the District's practice to budget expenditures near 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 exceed the actual expenditures during the year.

Capital Asset and Debt Administration

Capital Assets

At the end of 2006, the District had invested approximately \$7.2 million in a broad range of assets, including school buildings, athletic facilities, transportation, and technology equipment. (See Figure A-8) This amount is a slight net decrease from last year. **(More detailed information about capital assets can be found in Note 5 to the financial statements.)** Depreciation expense for the year was \$345,477 for governmental activities. The increase in equipment and furniture includes the purchase of such major items as a new school bus, middle school boiler tubes, a 2002 Chevrolet Suburban, and two tractors for the maintenance department.

Figure A-8

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005-2006</u>
	Land	\$70,250	\$70,250	\$ -	\$ -	\$70,250	\$ 70,250
Land Improvements	390,318	379,941			390,318	379,941	-2.66%
Buildings	6,505,364	6,405,630	-	-	6,505,364	6,405,630	-1.53%
Equipment & Furniture	<u>306,150</u>	<u>377,048</u>	<u>101,211</u>	<u>88,923</u>	<u>407,361</u>	<u>465,971</u>	+14.39%
	\$7,272,082	\$7,232,869	\$101,211	\$88,923	\$7,373,293	\$7,321,792	- .70%

The second of three phases of the bus garage parking lot resurfacing project was completed during the fiscal year. Other major construction projects during the year included:

- Remodeling of High School restrooms and locker rooms
- Asphaltting of the primary parking lot at Strawberry Hill Elementary
- Continuation of Middle School fire safety projects
- Construction of a ramp into the football field stadium bleachers

Long-Term Debt

At year-end, the District had \$3,190,000 in general obligation bonds outstanding. This represents a decrease of 23.9% from the previous fiscal year as can be seen in Figure A-9 below. More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

During the year, the general obligation bonds of the District became callable. The District called \$710,000 of bonds in June using LOSST funds. By calling

the bonds as LOSST funds become available, it is estimated the District will save at least \$821,000 in interest costs on these obligations.

Figure A-9

Outstanding Long-Term Liabilities

	Total		Total Percentage Change <u>2005-2006</u>
	School District		
	<u>2005</u>	<u>2006</u>	
Early retirement	\$ 42,870	\$ 58,105	+35.5%
General obligation bonds & notes (financed with property taxes)	4,190,000	3,190,000	-23.9%
Total	\$ 4,232,870	\$ 3,248,105	-23.3%

Factors Bearing on the District's Future

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

- The residents of Jones County have approved a ten year extension of the LOSST originally set to expire 12/31/2011. This was approved by county voters in the November 7, 2006 general election.
- The District has approved the purchase of two new buses to be paid from the General Fund in fiscal year 2006-2007. One bus was purchased as planned for in the 2006-2007 year. The second bus was added at a later date due to maintenance issues on an existing bus and due to the expected increase in bus prices with new emission standards. The total cost for the two buses in fiscal year 2007 is \$163,150.

- The preschool program has expanded in the 2006-2007 school year. Two programs have been added. One program offers two mornings per week for three year olds. The other program is a three mornings per week class for four year olds. These are in addition to the four year old program started in 2005-2006 meeting five afternoons per week.
- A loan agreement in the amount of \$94,000 has been entered into for the purpose of district technology infrastructure upgrades. It is a five year loan with two-fifths of the principal to be repaid in year one using a portion of the fund balance designated for technology. The loan may be repaid at an earlier date without penalty.
- The Board of Directors of the District has designated \$275,000 of general fund balance for the purposes of certified staff professional development, technology, and curriculum/instructional materials for use during fiscal year 2006-2007.

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 Von Behren, Business Manager, Anamosa Community School District, 200 S Garnavillo Street, Anamosa, Iowa, 52205.

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Basic Financial Statements

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 4,019,790	\$ 34,043	\$ 4,053,833
Receivables:			
Property tax:			
Current year	49,552	-	49,552
Succeeding year	2,916,826	-	2,916,826
Income surtax	303,302	-	303,302
Accrued interest	13,122	-	13,122
Accounts	59,029	50	59,079
Due from other governments	313,045	-	313,045
Interfund balances (note 4)	101,914	(101,914)	-
Inventories	-	177,358	177,358
Prepaid expenses	40,732	-	40,732
Capital assets, net of accumulated depreciation (note 5)	7,232,869	88,923	7,321,792
Total assets	15,050,181	198,460	15,248,641
Liabilities			
Accounts payable	198,312	12,908	211,220
Salaries and benefits payable	986,797	1,181	987,978
Accrued interest payable	13,734	-	13,734
Deferred revenue:			
Succeeding year property tax	2,916,826	-	2,916,826
Other	5,146	750	5,896
Compensated absences	35,867	-	35,867
Early retirement payable	22,480	-	22,480
Long-term liabilities (note 6):			
Portion due within one year:			
Bonds payable	305,000	-	305,000
Real estate contract payable	-	26,000	26,000
Portion due after one year:			
Early retirement	58,105	-	58,105
Bonds payable	2,885,000	-	2,885,000
Real estate contract payable	-	26,000	26,000
Total liabilities	7,427,267	66,839	7,494,106

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 4,042,869	\$ 88,923	\$ 4,131,792
Restricted for:			
Physical plant and equipment levy	85,274	-	85,274
Other special revenue purposes	88,415	-	88,415
Debt service	14,440	-	14,440
Capital projects	354,308	-	354,308
State grants	249,216	-	249,216
Unrestricted	<u>2,788,392</u>	<u>42,698</u>	<u>2,831,090</u>
Total net assets	<u>\$ 7,622,914</u>	<u>\$ 131,621</u>	<u>\$ 7,754,535</u>

See notes to financial statements.

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 4,659,180	\$ 429,903	\$ 430,357	\$ -
Special instruction	1,651,635	348,417	217,842	-
Other instruction	1,100,529	352,092	21,968	-
	<u>7,411,344</u>	<u>1,130,412</u>	<u>670,167</u>	<u>-</u>
Support services:				
Student services	830,925	-	508,430	-
Instructional staff services	392,029	-	15,600	-
Administration services	917,902	-	-	-
Operation and maintenance of plant services	900,717	165	-	-
Transportation services	577,775	23,698	14,999	-
	<u>3,619,348</u>	<u>23,863</u>	<u>539,029</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	13,338	-	-	-
Long-term debt interest and fiscal charges	212,451	-	-	-
AEA flowthrough	403,084	-	403,084	-
Depreciation (unallocated) *	212,914	-	-	-
	<u>841,787</u>	<u>-</u>	<u>403,084</u>	<u>-</u>
Total governmental activities	<u>11,872,479</u>	<u>1,154,275</u>	<u>1,612,280</u>	<u>-</u>
Business-Type Activities:				
Instruction	<u>7,945</u>	<u>-</u>	<u>-</u>	<u>-</u>
Support services:				
Administration services	558	-	-	-
Operation and maintenance of plant services	202,412	-	-	-
Transportation services	1,767	-	-	-
	<u>204,737</u>	<u>-</u>	<u>-</u>	<u>-</u>

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (3,798,920)	\$ -	\$ (3,798,920)
(1,085,376)	-	(1,085,376)
(726,469)	-	(726,469)
<u>(5,610,765)</u>	<u>-</u>	<u>(5,610,765)</u>
(322,495)	-	(322,495)
(376,429)	-	(376,429)
(917,902)	-	(917,902)
(900,552)	-	(900,552)
(539,078)	-	(539,078)
<u>(3,056,456)</u>	<u>-</u>	<u>(3,056,456)</u>
(13,338)	-	(13,338)
(212,451)	-	(212,451)
-	-	-
(212,914)	-	(212,914)
<u>(438,703)</u>	<u>-</u>	<u>(438,703)</u>
<u>(9,105,924)</u>	<u>-</u>	<u>(9,105,924)</u>
<u>-</u>	<u>(7,945)</u>	<u>(7,945)</u>
-	(558)	(558)
-	(202,412)	(202,412)
-	(1,767)	(1,767)
<u>-</u>	<u>(204,737)</u>	<u>(204,737)</u>

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Business-Type Activities (continued):				
Non-instructional programs:				
Food service operations	\$ 564,039	\$ 337,547	\$ 223,179	\$ 2,831
Construction and trades operations	3,898	188,931	-	-
Preschool operations	7,961	13,748	3,380	-
	<u>575,898</u>	<u>540,226</u>	<u>226,559</u>	<u>2,831</u>
Total business-type activities	<u>788,580</u>	<u>540,226</u>	<u>226,559</u>	<u>2,831</u>
Total	<u>\$ 12,661,059</u>	<u>\$ 1,694,501</u>	<u>\$ 1,838,839</u>	<u>\$ 2,831</u>

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

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

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$	-	\$ (482)	\$ (482)
	-	185,033	185,033
	-	9,167	9,167
	-	193,718	193,718
	-	(18,964)	(18,964)
	(9,105,924)	(18,964)	(9,124,888)
	2,639,759	-	2,639,759
	508,836	-	508,836
	226,938	-	226,938
	329,231	-	329,231
	658,959	-	658,959
	5,461,097	-	5,461,097
	141,941	348	142,289
	49,542	-	49,542
	10,016,303	348	10,016,651
	910,379	(18,616)	891,763
	6,712,535	150,237	6,862,772
\$	<u>7,622,914</u>	<u>\$ 131,621</u>	<u>\$ 7,754,535</u>

ANAMOSA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and pooled investments	\$ 3,505,489	\$ 440,810	\$ 3,946,299
Receivables:			
Property tax:			
Current year	36,527	13,025	49,552
Succeeding year	2,157,621	759,205	2,916,826
Income surtax	303,302	-	303,302
Accrued interest	13,122	-	13,122
Interfund receivable (note 4)	101,914	-	101,914
Accounts	59,029	-	59,029
Due from other governments	158,212	154,833	313,045
Prepaid expenses	40,732	-	40,732
	<hr/>	<hr/>	<hr/>
Total assets	\$ <u>6,375,948</u>	\$ <u>1,367,873</u>	\$ <u>7,743,821</u>

ANAMOSA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
 Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 190,081	\$ 8,231	\$ 198,312
Salaries and benefits payable	983,170	3,627	986,797
Deferred revenue:			
Succeeding year property tax	2,157,621	759,205	2,916,826
Other	308,448	-	308,448
Compensated absences	35,867	-	35,867
Early retirement payable (note 6)	-	22,480	22,480
Total liabilities	<u>3,675,187</u>	<u>793,543</u>	<u>4,468,730</u>
 Fund balance:			
Reserved for:			
Prepaid expenses	40,732	-	40,732
State grants	249,216	-	249,216
Debt service	-	28,174	28,174
Unreserved:			
Designated for:			
Professional development	50,000	-	50,000
Curriculum and instruction	100,000	-	100,000
Technology upgrades	125,000	-	125,000
Reported in nonmajor Special Revenue Funds	-	191,848	191,848
Undesignated	2,135,813	354,308	2,490,121
Total fund balances	<u>2,700,761</u>	<u>574,330</u>	<u>3,275,091</u>
 Total liabilities and fund balances	 <u>\$ 6,375,948</u>	 <u>\$ 1,367,873</u>	 <u>\$ 7,743,821</u>

See notes to financial statements.

ANAMOSA COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2006

Total fund balances of governmental funds	\$ 3,275,091
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,232,869
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	303,302
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(13,734)
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(3,248,105)
The Internal Service fund is used to charge the costs of the District's self-funded insurance plan to the governmental funds. The net assets of the Internal Service Fund are therefore included in governmental activities.	<u>73,491</u>
Net assets of governmental activities	<u>\$ 7,622,914</u>

See notes to financial statements.

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	General	Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 2,767,468	\$ 1,567,694	\$ 4,335,162
Tuition	537,216	-	537,216
Other	265,580	364,754	630,334
State sources	6,323,192	953	6,324,145
Federal sources	927,975	-	927,975
Total revenues	<u>10,821,431</u>	<u>1,933,401</u>	<u>12,754,832</u>
Expenditures:			
Current:			
Instruction	<u>6,861,614</u>	<u>497,665</u>	<u>7,359,279</u>
Support services:			
Student services	830,925	-	830,925
Instructional staff services	391,805	6,334	398,139
Administration services	917,194	2,831	920,025
Operation and maintenance of plant services	819,497	64,475	883,972
Transportation services	471,704	125,135	596,839
	<u>3,431,125</u>	<u>198,775</u>	<u>3,629,900</u>
Other expenditures:			
Facilities acquisition	-	197,203	197,203
Long term debt:			
Principal	-	1,000,000	1,000,000
Interest and fiscal charges	-	216,741	216,741
AEA flowthrough	403,084	-	403,084
	<u>403,084</u>	<u>1,413,944</u>	<u>1,817,028</u>
Total expenditures	<u>10,695,823</u>	<u>2,110,384</u>	<u>12,806,207</u>
Excess (deficiency) of revenues over (under) expenditures	<u>125,608</u>	<u>(176,983)</u>	<u>(51,375)</u>

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources (uses):			
Sale of equipment	\$ 517	\$ -	\$ 517
Compensation for loss of capital assets	505	-	505
Interfund transfers in	-	730,000	730,000
Interfund transfers out	-	(730,000)	(730,000)
Total other financing sources (uses)	<u>1,022</u>	<u>-</u>	<u>1,022</u>
Net change in fund balances	126,630	(176,983)	(50,353)
Fund balances beginning of year	<u>2,574,131</u>	<u>751,313</u>	<u>3,325,444</u>
Fund balances end of year	<u>\$ 2,700,761</u>	<u>\$ 574,330</u>	<u>\$ 3,275,091</u>

See notes to financial statements.

ANAMOSA 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, 2006

Net change in fund balances - total governmental funds \$ (50,353)

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:

Expenditures for capital assets	\$ 306,264	
Depreciation expense	<u>(345,477)</u>	(39,213)

Income surtax revenue not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 24,902

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 1,000,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 4,290

Some expenses, including early retirement, reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (15,235)

The change in net assets of the Internal Service Fund is reported with governmental activities in the Statement of Activities. (14,012)

Change in net assets of governmental activities \$ 910,379

See notes to financial statements.

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

	Nonmajor Enterprise Funds	Internal Service - Employee Group Health
Assets		
Cash and cash equivalents	\$ 34,043	\$ 73,491
Accounts receivable	50	-
Inventories	177,358	-
Capital assets, net of accumulated depreciation (note 5)	<u>88,923</u>	<u>-</u>
Total assets	<u>300,374</u>	<u>73,491</u>
Liabilities		
Accounts payable	12,908	-
Salaries and benefits payable	1,181	-
Interfund payable (note 4)	101,914	-
Deferred revenue	750	-
Long-term liabilities (note 6):		
Portion due within one year:		
Real estate contract payable	26,000	-
Portion due after one year:		
Real estate contract payable	<u>26,000</u>	<u>-</u>
Total liabilities	<u>168,753</u>	<u>-</u>
Net Assets		
Invested in capital assets	88,923	-
Unrestricted	<u>42,698</u>	<u>73,491</u>
Total net assets	<u>\$ 131,621</u>	<u>\$ 73,491</u>

See notes to financial statements.

ANAMOSA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2006

	<u>Nonmajor Enterprise Funds</u>	<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Local sources:		
Charges for services	\$ 540,226	\$ -
Operating expenses:		
Instruction	7,945	-
Support services:		
Administration services	558	-
Operation and maintenance of plant services	202,412	-
Transportation services	1,767	-
Non-instructional programs	<u>575,898</u>	<u>16,114</u>
	<u>788,580</u>	<u>16,114</u>
Operating loss	<u>(248,354)</u>	<u>(16,114)</u>
Non-operating revenues:		
Interest on investments	348	2,102
Capital contributions	2,831	-
State sources	9,608	-
Federal sources	<u>216,951</u>	<u>-</u>
Total non-operating revenues	<u>229,738</u>	<u>2,102</u>
Change in net assets	(18,616)	(14,012)
Net assets beginning of year	<u>150,237</u>	<u>87,503</u>
Net assets end of year	<u>\$ 131,621</u>	<u>\$ 73,491</u>

See notes to financial statements.

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2006

	Nonmajor Enterprise Funds	Internal Service - Employee Group Health
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 328,833	\$ -
Cash received from miscellaneous operating activities	211,853	-
Cash payments to employees for services	(272,228)	-
Cash payments to suppliers for goods or services	<u>(433,152)</u>	<u>(16,114)</u>
Net cash used by operating activities	<u>(164,694)</u>	<u>(16,114)</u>
Cash flows from non-capital financing activities:		
State grants received	9,608	-
Federal grants received	<u>190,111</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>199,719</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>348</u>	<u>2,102</u>
Net increase (decrease) in cash and cash equivalents	35,373	(14,012)
Cash and cash equivalents beginning of year	<u>(96,772)</u>	<u>87,503</u>
Cash and cash equivalents end of year	<u>\$ (61,399)</u>	<u>\$ 73,491</u>

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2006

	<u>Nonmajor Enterprise Funds</u>	<u>Internal Service - Employee Group Health</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (248,354)	\$ (16,114)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	15,118	-
Commodities used	26,840	-
Decrease in accounts receivable	40	-
Decrease in inventories	48,641	-
(Decrease) in accounts payable	(32,216)	-
(Decrease) in salaries and benefits payable	(6,306)	-
Increase in interfund payable	5,123	-
Increase in real estate contract payable	26,000	-
Increase in deferred revenue	<u>420</u>	<u>-</u>
Net cash used by operating activities	<u>\$ (164,694)</u>	<u>\$ (16,114)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$26,840 of federal commodities and \$2,831 of capital contributions in the nonmajor Enterprise, School Nutrition Fund.

See notes to financial statements.

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2006

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ <u>68,930</u>	\$ <u>43,377</u>
Liabilities:		
Other payables	<u>-</u>	<u>43,377</u>
Net assets:		
Reserved for scholarships	\$ <u><u>68,930</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

ANAMOSA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2006

		Private Purpose Trust
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	621
Interest		<u>1,718</u>
Total additions		<u>2,339</u>
Deductions:		
Support services:		
Scholarships awarded		<u>3,767</u>
Change in net assets		(1,428)
Net assets beginning of year		<u>70,358</u>
Net assets end of year	\$	<u><u>68,930</u></u>
See notes to financial statements.		

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies

Anamosa 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 Cities of Anamosa, Martelle, Viola, Morley, Fairview, and Stone City, Iowa, and the predominate agricultural territory in Jones County. 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, Anamosa 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. Anamosa 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 Jones County Assessor's Conference Board.

B. Basis of Presentation

District-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.

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 attributed 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.

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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 that are 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 that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest 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 District-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 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 expenses, including instructional, support and other costs.

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 with restrictions of 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.

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and 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 that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. 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 District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2006 will not be received by the district until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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.

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for 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 District-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	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	2,500

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

Asset Class	Estimated Useful Lives
Buildings	20-50 years
Improvements other than buildings	20 years
Furniture and equipment	5 years

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible 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 in the governmental funds consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end. Deferred revenue for proprietary funds and business-type activities consists of unearned preschool revenues.

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. The cost of vacation payments expected to be liquidated currently is recorded as a liability of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006.

Long-term Liabilities – In the District-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 Balances – 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.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-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. Budgets and Budgetary Control

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

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2006 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.

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 2. Cash and Pooled Investments (continued)

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>2,914,083</u>

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

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody’s Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 710,000
Capital Projects	Special Revenue: Physical Plant and Equipment Levy	<u>20,000</u>
Total		\$ <u>730,000</u>

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

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 4. Interfund Receivables and Payables

At June 30, 2006, the interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Pooled cash balance:		
General	Enterprise - Construction and Trades	\$ 95,442
Other receivables:		
General	Enterprise - Construction and Trades	<u>6,472</u>
Total		<u>\$ 101,914</u>

The pooled cash balance is temporary financing between funds which is necessary due to timing of expected revenues.

The other receivable interfund balance is due to timing differences involved in the payment of interest and payroll reimbursements to the General Fund.

The interfund balances have been eliminated on the face of the government-wide Statement of Net Assets.

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 70,250	\$ -	\$ -	\$ 70,250
Capital assets being depreciated:				
Buildings	8,398,659	89,035	-	8,487,694
Improvements other than buildings	532,443	16,044	-	548,487
Furniture and equipment	1,466,287	201,185	49,516	1,617,956
Total capital assets being depreciated	<u>10,397,389</u>	<u>306,264</u>	<u>49,516</u>	<u>10,654,137</u>
Less accumulated depreciation for:				
Buildings	1,893,295	188,769	-	2,082,064
Improvements other than buildings	142,125	26,421	-	168,546
Furniture and equipment	1,160,137	130,287	49,516	1,240,908
Total accumulated depreciation	<u>3,195,557</u>	<u>345,477</u>	<u>49,516</u>	<u>3,491,518</u>
Total capital assets being depreciated, net	<u>7,201,832</u>	<u>(39,213)</u>	<u>-</u>	<u>7,162,619</u>
Governmental activities capital assets, net	<u>\$ 7,272,082</u>	<u>\$ (39,213)</u>	<u>\$ -</u>	<u>\$ 7,232,869</u>

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 234,099	\$ 2,831	\$ 26,254	\$ 210,676
Less accumulated depreciation	132,888	15,119	26,254	121,753
Business-type activities capital assets, net	<u>\$ 101,211</u>	<u>\$ (12,288)</u>	<u>\$ -</u>	<u>\$ 88,923</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:		
Instruction:		
Regular		\$ 7,536
Special		4,336
Other		19,695
Support services:		
Instructional staff		1,850
Operation and maintenance of plant services		25,746
Transportation		73,400
		<u>132,563</u>
Unallocated depreciation		<u>212,914</u>
Total governmental activities depreciation expense		<u>\$ 345,477</u>
Business-type activities:		
Food service operations		<u>\$ 15,119</u>

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Long-Term Liabilities

A summary of changes in governmental activities long-term liabilities for the year ended June 30, 2006 is as follows:

	Early Retirement	General Obligation Bonds	Total
Balance beginning of year	\$ 42,870	\$ 4,190,000	\$ 4,232,870
Additions	77,474	-	77,474
Reductions	62,239	1,000,000	1,062,239
Balance end of year	<u>\$ 58,105</u>	<u>\$ 3,190,000</u>	<u>\$ 3,248,105</u>
Due within one year	<u>\$ -</u>	<u>\$ 305,000</u>	<u>\$ 305,000</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement incentive for each eligible employee is equal to 45% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay and subject to a maximum of \$20,000 per individual. Early retirement benefits are paid in four equal annual payments into a 403(b) retirement plan or a health care savings plan.

At June 30, 2006, the District has obligations to five participants with a total liability of \$80,585. Actual early retirement expenditures for the year ended June 30, 2006 totaled \$58,064. The cost of early retirement payments expected to be liquidated currently is recorded as a liability of the Special Revenue, Management Fund in the fund financial statements and as a liability of the Governmental Activities in the District-wide financial statements. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 305,000	\$ 164,806	\$ 469,806
2008	320,000	149,708	469,708
2009	340,000	133,708	473,708
2010	355,000	116,368	471,368
2011	375,000	98,176	473,176
2012	395,000	78,488	473,488
2013	415,000	57,750	472,750
2014	440,000	35,962	475,962
2015	245,000	12,862	257,862
	<u>\$ 3,190,000</u>	<u>\$ 847,828</u>	<u>\$ 4,037,828</u>

During the year ended June 30, 2006, the District retired \$1,000,000 of bonds.

A summary of changes in business-type activities long-term liabilities for the year ended June 30, 2006 is as follows:

	Real Estate Contracts
Balance beginning of year	\$ 26,000
Additions	26,000
Reductions	<u>-</u>
Balance end of year	<u>\$ 52,000</u>
Due within one year	<u>\$ 26,000</u>

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Long-Term Liabilities (continued)

Real Estate Contracts

During the year ended June 30, 2005, the District entered into a contract to purchase land for the Construction and Trades program. The contract is to be paid upon the earlier of the sale of property or December 1, 2006.

During the year ended June 30, 2006, the District entered into a second contract to purchase land for the Construction and Trades program. The contract is to be paid upon the earlier of the sale of property or December 1, 2007.

Details of the District's real estate contract indebtedness are as follows:

Year Ending June 30,	Principal
2007	\$ 26,000
2008	26,000
	\$ 52,000

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$397,538, \$365,971, and \$353,806 respectively, equal to the required contributions for each year.

Note 8. Risk Management

Anamosa 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.

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$403,084 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Subsequent Event

In June 2006, the District approved the issuance of a \$94,000 promissory note to purchase technology equipment. The note was not drawn until August 2006. The note will be payable over five years with interest of 3.99%.

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Required Supplementary Information

ANAMOSA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances –
 Budget and Actual (Accrual Basis) – All Governmental Funds
 and Proprietary Funds
 Required Supplementary Information
 Year Ended June 30, 2006

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds - Actual	Funds - Actual		Original	Final	
REVENUES:						
Local sources	\$ 5,502,712	\$ 543,405	\$ 6,046,117	\$ 5,447,085	\$ 5,447,085	\$ 599,032
State sources	6,324,145	9,608	6,333,753	6,207,105	6,207,105	126,648
Federal sources	927,975	216,951	1,144,926	1,102,525	1,102,525	42,401
Total revenues	12,754,832	769,964	13,524,796	12,756,715	12,756,715	768,081
EXPENDITURES:						
Instruction	7,359,279	7,945	7,367,224	7,687,256	7,687,256	320,032
Support services	3,629,900	204,737	3,834,637	3,216,998	4,277,469	442,832
Non-instructional programs	-	575,898	575,898	812,426	812,426	236,528
Other expenditures	1,817,028	-	1,817,028	1,634,107	1,934,375	117,347
Total expenditures	12,806,207	788,580	13,594,787	13,350,787	14,711,526	1,116,739
Excess (deficiency) of revenues over (under) expenditures	(51,375)	(18,616)	(69,991)	(594,072)	(1,954,811)	1,884,820
Other financing sources, net	1,022	-	1,022	180,150	180,150	(179,128)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(50,353)	(18,616)	(68,969)	(413,922)	(1,774,661)	1,705,692
Balance beginning of year	3,325,444	150,237	3,475,681	2,946,860	2,946,860	528,821
Balance end of year	<u>\$ 3,275,091</u>	<u>\$ 131,621</u>	<u>\$ 3,406,712</u>	<u>\$ 2,532,938</u>	<u>\$ 1,172,199</u>	<u>\$ 2,234,513</u>

See accompanying independent auditor's report.

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary 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 internal service, 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 accrual basis. Encumbrances are not recognized on the 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 that 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 expenditures by \$1,360,739.

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Other Supplementary Information

ANAMOSA COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	<u>Special Revenue</u>			
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>
Assets				
Cash and pooled investments	\$ 41,649	\$ 96,110	\$ 82,600	\$ 20,976
Receivables:				
Property tax:				
Current year	2,617	-	3,210	7,198
Succeeding year	153,820	-	204,067	401,318
Due from other governments	-	-	-	-
	<hr/>			
Total assets	<u>\$ 198,086</u>	<u>\$ 96,110</u>	<u>\$ 289,877</u>	<u>\$ 429,492</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ 7,695	\$ 536	\$ -
Salaries and benefits payable	3,627	-	-	-
Deferred revenue:				
Succeeding year property tax	153,820	-	204,067	401,318
Early retirement	22,480	-	-	-
Total liabilities	<u>179,927</u>	<u>7,695</u>	<u>204,603</u>	<u>401,318</u>
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	-	28,174
Unreserved:				
Undesignated	18,159	88,415	85,274	-
Total fund equity	<u>18,159</u>	<u>88,415</u>	<u>85,274</u>	<u>28,174</u>
	<hr/>			
Total liabilities and fund equity	<u>\$ 198,086</u>	<u>\$ 96,110</u>	<u>\$ 289,877</u>	<u>\$ 429,492</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ 199,475	\$ 440,810
-	13,025
-	759,205
<u>154,833</u>	<u>154,833</u>
<u>\$ 354,308</u>	<u>\$ 1,367,873</u>
\$ -	\$ 8,231
-	3,627
-	759,205
-	<u>22,480</u>
-	<u>793,543</u>
-	28,174
<u>354,308</u>	<u>546,156</u>
<u>354,308</u>	<u>574,330</u>
<u>\$ 354,308</u>	<u>\$ 1,367,873</u>

ANAMOSA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Revenues:				
Local sources:				
Local tax	\$ 173,724	\$ -	\$ 226,703	\$ 508,308
Other	7,701	353,011	333	815
State sources	190	-	235	528
Total revenues	<u>181,615</u>	<u>353,011</u>	<u>227,271</u>	<u>509,651</u>
Expenditures:				
Current:				
Instruction	117,323	363,185	17,157	-
Support services:				
Instructional staff services	-	-	6,334	-
Administration services	-	-	2,831	-
Operation and maintenance of plant services	64,475	-	-	-
Transportation services	32,671	-	92,464	-
Other expenditures:				
Facilities acquisition	-	-	132,235	-
Long term debt:				
Principal	-	-	-	1,000,000
Interest and fiscal charges	-	-	-	216,741
Total expenditures	<u>214,469</u>	<u>363,185</u>	<u>251,021</u>	<u>1,216,741</u>
Excess (deficiency) of revenues over (under) expenditures	(32,854)	(10,174)	(23,750)	(707,090)
Other financing sources (uses):				
Interfund transfers in	-	-	-	710,000
Interfund transfers out	-	-	(20,000)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>710,000</u>

	<u>Capital Projects</u>		<u>Total</u>
\$	658,959	\$	1,567,694
	2,894		364,754
	-		953
	<u>661,853</u>		<u>1,933,401</u>
	-		497,665
	-		6,334
	-		2,831
	-		64,475
	-		125,135
	64,968		197,203
	-		1,000,000
	-		216,741
	<u>64,968</u>		<u>2,110,384</u>
	596,885		(176,983)
	20,000		730,000
	(710,000)		(730,000)
	<u>(690,000)</u>		<u>-</u>

ANAMOSA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2006

	<u>Special Revenue</u>			
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	\$ (32,854)	\$ (10,174)	\$ (43,750)	\$ 2,910
Fund balances beginning of year	<u>51,013</u>	<u>98,589</u>	<u>129,024</u>	<u>25,264</u>
Fund balances end of year	<u>\$ 18,159</u>	<u>\$ 88,415</u>	<u>\$ 85,274</u>	<u>\$ 28,174</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ (93,115)	\$ (176,983)
<u>447,423</u>	<u>751,313</u>
<u>\$ 354,308</u>	<u>\$ 574,330</u>

ANAMOSA COMMUNITY SCHOOL DISTRICT

 COMBINING SCHEDULE OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 June 30, 2006

	School Nutrition	Construction and Trades	Preschool	Total
Assets				
Cash and cash equivalents	\$ 31,339	\$ -	\$ 2,704	\$ 34,043
Accounts receivable	-	-	50	50
Inventories	16,176	161,182	-	177,358
Capital assets, net of accumulated depreciation	88,923	-	-	88,923
Total assets	136,438	161,182	2,754	300,374
Liabilities				
Accounts payable	-	12,908	-	12,908
Salaries and benefits payable	25	-	1,156	1,181
Interfund payable	-	101,914	-	101,914
Deferred revenue	-	-	750	750
Long-term liabilities:				
Portion due within one year:				
Real estate contract payable	-	26,000	-	26,000
Portion due after one year:				
Real estate contract payable	-	26,000	-	26,000
Total liabilities	25	166,822	1,906	168,753
Net Assets				
Invested in capital assets	88,923	-	-	88,923
Unrestricted	47,490	(5,640)	848	42,698
Total net assets	\$ 136,413	\$ (5,640)	\$ 848	\$ 131,621

See accompanying independent auditor's report.

ANAMOSA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 Year Ended June 30, 2006

	<u>School Nutrition</u>	<u>Construction and Trades</u>	<u>Preschool</u>	<u>Total</u>
Operating revenues:				
Local sources:				
Charges for services	\$ 337,547	\$ 188,931	\$ 13,748	\$ 540,226
Operating expenses:				
Instruction	-	-	7,945	7,945
Support services:				
Administration services	-	558	-	558
Operation and maintenance of plant services	-	202,412	-	202,412
Transportation services	-	-	1,767	1,767
Non-instructional programs	564,039	3,898	7,961	575,898
	<u>564,039</u>	<u>206,868</u>	<u>17,673</u>	<u>788,580</u>
Operating loss	(226,492)	(17,937)	(3,925)	(248,354)
Non-operating revenues:				
Interest on investments	348	-	-	348
Capital contributions	2,831	-	-	2,831
State sources	6,228	-	3,380	9,608
Federal sources	216,951	-	-	216,951
Total non-operating revenues	<u>226,358</u>	<u>-</u>	<u>3,380</u>	<u>229,738</u>
Change in net assets	(134)	(17,937)	(545)	(18,616)
Net assets beginning of year	<u>136,547</u>	<u>12,297</u>	<u>1,393</u>	<u>150,237</u>
Net assets end of year	<u>\$ 136,413</u>	<u>\$ (5,640)</u>	<u>\$ 848</u>	<u>\$ 131,621</u>

See accompanying independent auditor's report.

ANAMOSA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2006

	School Nutrition	Construction and Trades	Preschool	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 328,833	\$ -	\$ -	\$ 328,833
Cash received from miscellaneous operating activities	8,714	189,021	14,118	211,853
Cash payments to employees for services	(257,310)	-	(14,918)	(272,228)
Cash payments to suppliers for goods or services	(277,276)	(153,125)	(2,751)	(433,152)
Net cash provided by (used by) operating activities	(197,039)	35,896	(3,551)	(164,694)
Cash flows from non-capital financing activities:				
State grants received	6,228	-	3,380	9,608
Federal grants received	190,111	-	-	190,111
Net cash provided by non-capital financing activities	196,339	-	3,380	199,719
Cash flows from investing activities:				
Interest on investments	348	-	-	348
Net increase (decrease) in cash and cash equivalents	(352)	35,896	(171)	35,373
Cash and cash equivalents at beginning of year	31,691	(131,338)	2,875	(96,772)
Cash and cash equivalents at end of year	\$ 31,339	\$ (95,442)	\$ 2,704	\$ (61,399)

ANAMOSA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2006

	<u>School Nutrition</u>	<u>Construction and Trades</u>	<u>Preschool</u>	<u>Total</u>
Reconciliation of operating loss to net cash provided by (used by) operating activities:				
Operating loss	\$ (226,492)	\$ (17,937)	\$ (3,925)	\$ (248,354)
Adjustments to reconcile operating loss to net cash provided by (used by) operating activities:				
Depreciation	15,118	-	-	15,118
Commodities used	26,840	-	-	26,840
(Increase) decrease in accounts receivable	-	90	(50)	40
(Increase) decrease in inventories	(12,530)	61,171	-	48,641
Increase (decrease) in accounts payable	-	(31,064)	(1,152)	(32,216)
Increase (decrease) in salaries and benefits payable	25	(7,487)	1,156	(6,306)
Increase in interfund payable	-	5,123	-	5,123
Increase in real estate contract payable	-	26,000	-	26,000
Increase in deferred revenue	-	-	420	420
	<hr/>			
Net cash provided by (used by) operating activities	\$ <u>(197,039)</u>	\$ <u>35,896</u>	\$ <u>(3,551)</u>	\$ <u>(164,694)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$26,840 of federal commodities and \$2,831 of capital contributions in the School Nutrition Fund.

See accompanying independent auditor's report.

ANAMOSA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Annual	\$ 4,670	\$ 17,135	\$ 17,254	\$ 4,551
Middle School Student Council	5,420	37,164	35,425	7,159
Class of:				
2005	369	-	-	369
2006	221	7,030	8,064	(813)
2007	77	4,256	3,469	864
2008	101	-	189	(88)
Drama Club	1,905	1,267	4,426	(1,254)
Spanish Club	1,288	2,722	3,270	740
French Club	2,037	1,341	1,967	1,411
Interact Club	1,839	916	582	2,173
High School Art Club	1,469	180	739	910
Cheerleading Resale	2,293	14,647	15,620	1,320
Future Farmers of America	8,313	51,233	55,180	4,366
Instrumental Music	1,536	1,811	2,003	1,344
General Athletics	(3,644)	16,075	17,544	(5,113)
Middle School Concessions	6,250	14,271	14,949	5,572
Dance Squad	568	12,105	11,973	700
Football	836	37,919	33,128	5,627
Boys Soccer	1,253	3,004	2,982	1,275
Girls Soccer	793	2,872	4,729	(1,064)
Baseball	2,526	9,695	11,023	1,198
Softball	2,110	4,725	7,916	(1,081)
Girls Track	204	4,274	3,813	665
Boys Track	737	4,784	4,998	523
Boys Golf	315	2,557	3,036	(164)
Wrestling	1,209	4,381	4,264	1,326
Cross Country	108	1,512	1,356	264
Girls Golf	845	1,779	1,817	807
Volleyball	1,813	7,325	6,472	2,666
Girls Basketball	(29)	9,179	8,630	520
Boys Basketball	1,339	12,964	13,292	1,011
Vocal Music	948	7,011	4,968	2,991
Musicals	5,094	-	-	5,094
Strawberry Hill - Miscellaneous	34,992	31,313	33,764	32,541
Strawberry Hill Service Project	27	-	-	27
Science Club	135	267	38	364
ELP/SCI Store	889	463	216	1,136
Trapshoot Club	408	80	425	63

ANAMOSA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Parent Partner	\$ 227	\$ -	\$ 202	\$ 25
Vending Machine	6,597	23,575	22,591	7,581
Veterans Day	501	921	846	576
NHS Fundraiser	-	258	25	233
 Total	 \$ 98,589	 \$ 353,011	 \$ 363,185	 \$ 88,415

See accompanying independent auditor's report.

ANAMOSA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2006

	<u>Empower- ment Fund</u>
Assets and Liabilities	
Balances beginning of year	\$ <u>20,714</u>
Additions:	
Early Childhood Program	24,871
School Ready Children	181,199
Interest	<u>910</u>
Total additions	<u>206,980</u>
Deductions:	
Agency remittances:	
Trusts paid out	<u>184,317</u>
Balances end of year	\$ <u><u>43,377</u></u>

See accompanying independent auditor's report.

ANAMOSA 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,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 4,335,162	\$ 4,167,435	\$ 3,944,130	\$ 3,901,213
Tuition	537,216	491,171	486,184	443,154
Other	630,334	496,660	609,901	508,524
State sources	6,324,145	5,920,355	5,517,064	5,468,925
Federal sources	927,975	862,619	440,649	264,028
Total revenues	\$ 12,754,832	\$ 11,938,240	\$ 10,997,928	\$ 10,585,844
Expenditures:				
Instruction	\$ 7,359,279	\$ 6,731,909	\$ 6,673,452	\$ 6,156,760
Support services:				
Student services	830,925	675,119	397,562	385,144
Instructional staff services	398,139	347,346	290,063	225,354
Administration services	920,025	816,421	812,152	793,028
Operation and maintenance of plant services	883,972	740,929	709,186	728,271
Transportation services	596,839	540,503	517,910	386,334
Central and other support services	-	-	4,722	-
Non-instructional programs	-	28,781	33,871	32,397
Other expenditures:				
Facilities acquisition	197,203	140,819	234,161	315,916
Long-term debt:				
Principal	1,000,000	304,000	302,000	291,000
Interest and fiscal charges	216,741	231,535	246,590	261,015
AEA flowthrough	403,084	378,516	365,005	389,223
Total expenditures	\$ 12,806,207	\$ 10,935,878	\$ 10,586,674	\$ 9,964,442

See accompanying independent auditor's report.

ANAMOSA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2006

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Direct:			
U. S. Department of Education: Safe and Drug-Free Schools and Communities - National Programs	84.184	FY 06	\$ <u>472,825</u>
Indirect:			
U. S. Department of Agriculture: Iowa Department of Education: Food Donation (non-cash)	10.550	FY 06	<u>26,840</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 06	18,186
National School Lunch Program	10.555	FY 06	<u>171,925</u>
			<u>190,111</u>
U. S. Department of Education: Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	0234G	<u>141,727</u>
Grants for State Assessments and Related Activities	84.369	FY 06	<u>7,638</u>
Improving Teacher Quality State Grants	84.367	FY 06	<u>42,313</u>
State Grants for Innovative Programs	84.298	FY 06	<u>7,960</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 06	<u>1,463</u>
Advanced Placement Program	84.330	FY 06	<u>104</u>
Grant Wood Area Education Agency: Special Education - Grants to States	84.027	FY 06	<u>75,140</u>
Total			\$ <u><u>966,121</u></u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Anamosa Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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
Anamosa 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 Anamosa Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 25, 2006. 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 Anamosa 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 II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anamosa 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, 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Anamosa Community School District's operations for the year ended June 30, 2006 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 Anamosa Community School District and other parties to whom Anamosa 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 Anamosa 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.

Oskaloosa, Iowa
August 25, 2006

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the Board of Education of
Anamosa Community School District:

Compliance

We have audited the compliance of Anamosa Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Anamosa Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Anamosa Community School District's management. Our responsibility is to express an opinion on Anamosa Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U. S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Anamosa Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Anamosa Community School District's compliance with those requirements.

In our opinion, Anamosa Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Anamosa Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Anamosa Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Anamosa Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements.

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 non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program 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 compliance 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Oskaloosa, Iowa
August 25, 2006

ANAMOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.184 – Safe and Drug-Free Schools and Communities – National Programs
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Anamosa Community School District did not qualify a low-risk auditee.

ANAMOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Part II: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

II-A-06 Disbursements – Out of forty disbursements tested, one was not supported by an invoice or receipt prior to the check being released for payment.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation prior to the check being released for payment.

Response – We will make sure that all future disbursements are properly supported prior to the check being released for payment.

Conclusion – Response accepted.

II-B-06 Netting of Revenues and Expenditures – We noted two receipts that were posted against expenditure accounts.

Recommendation – This practice understates both revenues and expenditures. The District should avoid netting a revenue against an expenditure except in limited circumstances, such as a sales tax refund which occurs in the same fiscal year as the expenditure it applies to or similar revenue.

Response – We will properly record all revenues in the future.

Conclusion – Response accepted.

ANAMOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

No matters were reported.

ANAMOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-06 Certified Budget – Expenditures for the year ended June 30, 2006, did not exceed the amounts budgeted.
- IV-B-06 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- IV-C-06 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-D-06 Business Transactions – We noted no business transactions between the District and District officials or employees.
- IV-E-06 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-F-06 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-06 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. However, the interest rate on one time certificate of deposit did not meet the minimum rate of interest set by the State rate setting committee.

Recommendation – The District should be aware of current allowable rates to ensure that at least the minimum rate is received for all investments. The certificate of deposit, when renewed, should be renewed at a rate of interest that conforms with current minimum rates for public funds on the renewal date.

Response – The certificate of deposit will be renewed at an allowable rate.

Conclusion – Response accepted.

- IV-I-06 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.