

AURELIA COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

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Gary E. Horton CPA

PO Box 384

Clarion, IA 50525-0384

(515)532-6681 Phone

(515) 532-2405 Fax

BETCO@mchsi.com E-mail

Independent Auditor's Report

To the Board of Education of
Aurelia 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 Aurelia Community School District, Aurelia, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Aurelia Community School District at 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 November 9, 2006, on our consideration of Aurelia Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 37 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. 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 Aurelia 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, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

November 9, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Aurelia Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,539,253 in fiscal 2005 to \$2,580,767 in fiscal 2006, while General Fund expenditures increased from \$2,460,320 in fiscal 2005 to \$2,515,634 in fiscal 2006. The District's General Fund balance increased from \$606,616 in fiscal 2005 to \$663,345 in fiscal 2006.
- The increase in General Fund revenues was attributable to an increase in state revenue in fiscal 2006. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Aurelia Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Aurelia Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the Aurelia Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

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

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

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

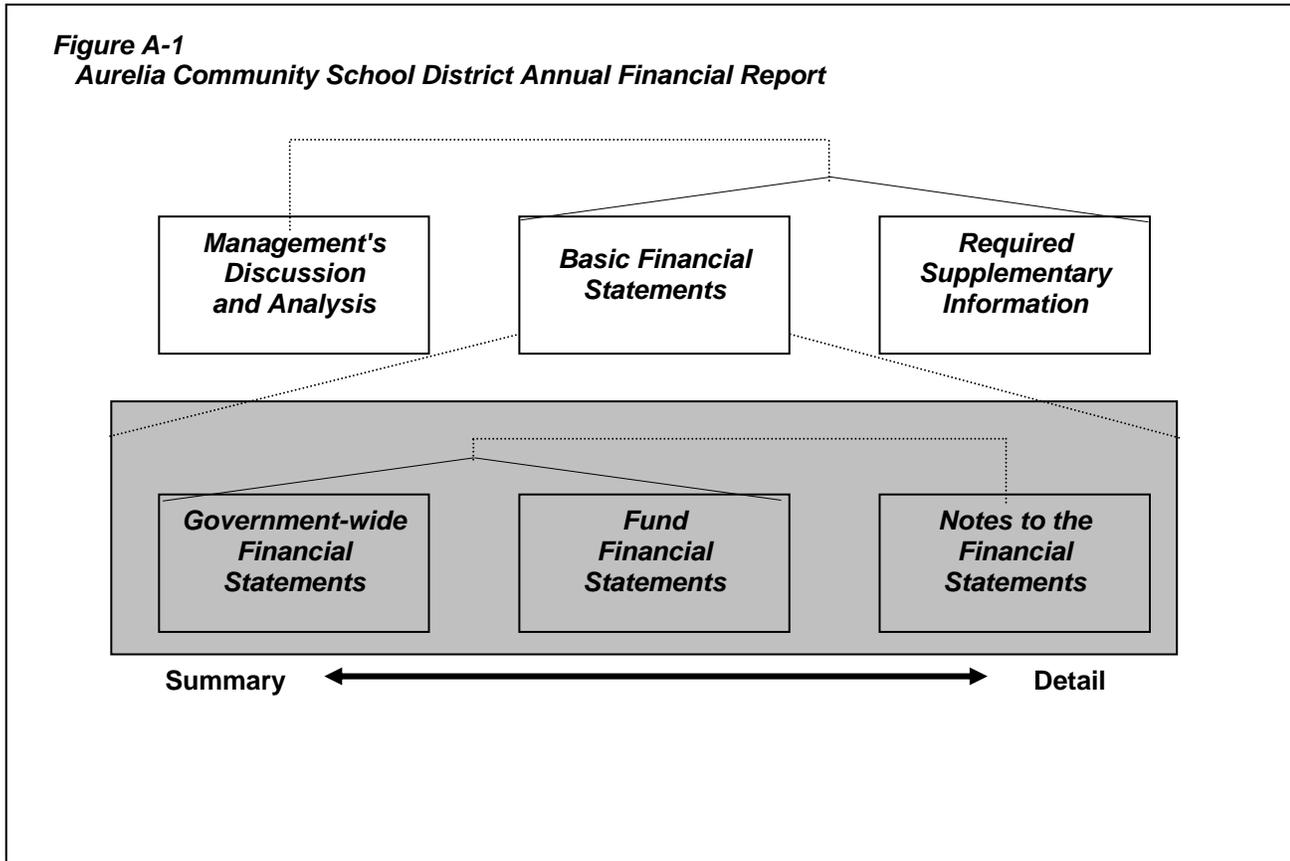


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2006	2005	2006	2005	2006	2005	
	\$	\$	\$	\$	\$	\$	
Current and other assets	2,549,649	2,304,020	3,402	5,394	2,553,051	2,309,414	11%
Capital assets	276,732	258,032	9,361	11,526	286,093	269,558	6%
Total assets	2,826,381	2,562,052	12,763	16,920	2,839,144	2,578,972	10%
Long-term liabilities	20,248	31,593	-	-	20,248	31,593	-36%
Other liabilities	1,304,449	1,236,917	352	856	1,304,801	1,237,773	5%
Total liabilities	1,324,697	1,268,510	352	856	1,325,049	1,269,366	4%
Net Assets:							
Invested in capital assets, net of related debt	276,732	258,032	9,361	11,526	286,093	269,558	6%
Restricted	599,931	437,039	-	-	599,931	437,039	37%
Unrestricted	625,021	598,471	3,050	4,538	628,071	603,009	4%
TOTAL NET ASSETS	1,501,684	1,293,542	12,411	16,064	1,514,095	1,309,606	16%

The District’s combined net assets increased by nearly 16%, or approximately \$205,000, over the prior year. The largest portion of the District’s net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net assets increased approximately \$163,000 or 37% over the prior year. The increase was primarily a result of Local Option Sales Tax Revenues for the year.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased approximately \$25,100, or 4%.

Figure A-4 shows the change in net assets for the years ended June 30, 2006 and 2005.

Figure A-4

	Change in Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	
Revenues							
Program Revenues:							
Charges for services	225,733	181,415	48,941	49,695	274,674	231,110	19%
Operating grants & contributions	318,885	316,783	43,805	47,361	362,690	364,144	-4%
Capital grants & contributions	-	-	-	-	-	-	
General Revenues:							
Property taxes	1,179,526	1,270,747	-	-	1,179,526	1,270,747	-7%
Income Surtax	74,259	93,506	-	-	74,259	93,506	-21%
Local option sales tax	164,068	142,921	-	-	164,068	142,921	15%
Unrestricted state grants	1,031,576	971,571	-	-	1,031,576	971,571	6%
Unrestricted investment earnings	27,134	15,837	30	72	27,164	15,909	71%
Other revenue	4,421	200	-	-	4,421	200	2111%
Total Revenues	3,025,602	2,992,980	92,776	97,128	3,118,378	3,090,108	1%
Expenses:							
Instruction	1,805,393	1,770,737	-	-	1,805,393	1,770,737	2%
Support services	782,018	744,488	-	-	782,018	744,488	5%
Non-instructional programs	12,906	13,840	96,429	99,352	109,335	113,192	-3%
Other expenditures	217,143	251,277	-	-	217,143	251,277	-14%
Total expenses	2,817,460	2,780,342	96,429	99,352	2,913,889	2,879,694	1%
Change in net assets before transfers	208,142	212,638	(3,653)	(2,224)	204,489	210,414	-3%
Transfers	-	-	-	-	-	-	
CHANGE IN NET ASSETS	208,142	212,638	(3,653)	(2,224)	204,489	210,414	-3%
Net assets beginning of year	1,293,542	1,080,904	16,064	18,288	1,309,606	1,099,192	19%
Net assets end of year	1,501,684	1,293,542	12,411	16,064	1,514,095	1,309,606	16%

Property tax and unrestricted state grants account for 73% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 92% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,025,602 and expenses were \$2,817,460. The District works to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2006	Net Cost of Services 2005
	\$	\$	\$	\$
Instruction	1,805,393	1,770,737	1,378,903	1,399,006
Support Services	782,018	744,488	763,721	744,477
Non-instructional Programs	12,906	13,840	12,906	13,840
Other Expenses	217,143	251,277	117,312	124,821
TOTAL	2,817,460	2,780,342	2,272,842	2,282,144

- The cost financed by users of the District’s programs was \$225,733.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$318,885.
- The net cost of governmental activities was financed with \$1,417,853 in property and other taxes and \$1,031,576 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$92,776 and expenses were \$96,429. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The Board of Education decided to increase meal prices for the fiscal year 2006 to help cover increased expenses.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,181,302 well above last year’s ending fund balances of \$1,001,532.

Governmental Fund Highlights

- The District’s General Fund financial position is the result of many factors. Growth during the year in open enrollment and professional development funding resulted in an increase in revenues.
- The General Fund balance increased from \$606,616 to \$663,345.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from a balance of \$225,681 in fiscal 2005 to \$265,605 in fiscal 2006.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$16,064 at June 30, 2005 to \$12,411 at June 30, 2006. The price of meals was increased to help cover increased costs.

BUDGETARY HIGHLIGHTS

The District's receipts were \$66,337 more than budgeted receipts. The most significant variance resulted from the District receiving more SILO tax than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$286,092, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$54,278.

The original cost of the District's capital assets was \$1.79 million. Governmental funds account for \$1.77 million, with the remainder of \$.02 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2005-2006
	2006	2005	2006	2005	2006	2005	
	\$	\$	\$	\$	\$	\$	
Land	31,400	31,400	-	-	31,400	31,400	0%
Construction in progress	-	-	-	-	-	-	0%
Buildings	85,778	95,326	-	-	85,778	95,326	-10%
Improvements	9,490	30,698	-	-	9,490	30,698	-69%
Equipment & Furniture	150,064	100,608	9,360	11,524	159,424	112,132	42%
TOTAL	<u>276,732</u>	<u>258,032</u>	<u>9,360</u>	<u>11,524</u>	<u>286,092</u>	<u>269,556</u>	<u>6%</u>

Long-Term Debt

At June 30, 2006, the District had \$20,248 in other long-term debt outstanding. This represents a decrease from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Percentage
	2006	2005	Change
			2005-2006
	\$	\$	
Early Retirement	20,248	31,593	-36%
	<u>20,248</u>	<u>31,593</u>	<u>-36%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's October 2006 enrollment decreased by eleven students. This drop in enrollment will decrease the District's funding for fiscal year 2008.
- The phase out of the budget guarantee will affect the District's financial resources in the future. Management continues to monitor expenses to ensure good financial health. Costs outside of the Board's control such as health insurance, fuel and utilities continue to be worrisome.
- The District's main priority is to provide the resources needed for excellent student achievement. This is shown as the District's students continue to score well in standardized tests. The Board is exploring sharing options to ensure that the students receive an excellent education.
- The addition of the Local Option Sales Tax has provided resources to improve the District facilities. The District used these funds to make structural improvements. The Board continues to look at projects as funds are available.

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 Vicki Kolpin, [District Secretary/Treasurer and Business Manager, Aurelia Community School District, 300 Ash Street, Aurelia, Iowa, 51005](#).

BASIC FINANCIAL STATEMENTS

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,126,025	1,936	1,127,961
Receivables:			
Property tax:			
Delinquent	24,666	-	24,666
Succeeding year	1,280,705	-	1,280,705
Accounts	14,114	401	14,515
Due from other governments	104,139	-	104,139
Inventories	-	1,065	1,065
Capital assets, net of accumulated depreciation	276,732	9,361	286,093
	<u>2,826,381</u>	<u>12,763</u>	<u>2,839,144</u>
Liabilities			
Accounts payable	17,790	-	17,790
Salaries and benefits payable	5,954	-	5,954
Deferred revenue:			
Succeeding year property tax	1,280,705	-	1,280,705
Other	-	352	352
Long-term liabilities:			
Portion due within one year:			
Early retirement	7,057	-	7,057
Portion due more than one year:			
Early retirement	13,191	-	13,191
	<u>1,324,697</u>	<u>352</u>	<u>1,325,049</u>
Net assets			
Invested in capital assets, net of related debt	276,732	9,361	286,093
Restricted for:			
Gifted and talented program	102,222	-	102,222
Management levy	15,523	-	15,523
Physical plant and equipment levy	265,605	-	265,605
Other special revenue purposes	35,285	-	35,285
Local option sales tax capital projects	181,296	-	181,296
Unrestricted	625,021	3,050	628,071
	<u>1,501,684</u>	<u>12,411</u>	<u>1,514,095</u>

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

Function/Program	Expenses	Charges for Services	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental Activities:				
Instruction:				
Regular instruction	1,207,100	107,940	163,015	-
Special instruction	205,141	23,684	31,243	-
Other instruction	393,152	94,109	6,499	-
	<u>1,805,393</u>	<u>225,733</u>	<u>200,757</u>	<u>-</u>
Support services:				
Student services	76,756	-	7,351	-
Instructional staff services	6,599	-	10,946	-
Administration services	323,428	-	-	-
Operation and maintenance of plant services	277,338	-	-	-
Transportation services	97,897	-	-	-
	<u>782,018</u>	<u>-</u>	<u>18,297</u>	<u>-</u>
Non-instructional programs	<u>12,906</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	106,573	-	-	-
AEA flowthrough	99,831	-	99,831	-
Depreciation (unallocated)*	10,739	-	-	-
	<u>217,143</u>	<u>-</u>	<u>99,831</u>	<u>-</u>
Total governmental activities	<u>2,817,460</u>	<u>225,733</u>	<u>318,885</u>	<u>-</u>
Business Type Activities:				
Non-instructional programs:				
Food service operations	96,429	48,941	43,805	-
Total	<u>2,913,889</u>	<u>274,674</u>	<u>362,690</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
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 expenses of the various programs.

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

<u>Net (Expense) Revenue and Changes in</u>		
<u>Governmental</u>	<u>Business-</u>	<u>Total</u>
<u>Activities</u>	<u>Type</u>	
<u>\$</u>	<u>Activities</u>	<u>\$</u>
	<u>\$</u>	
(936,145)	-	(936,145)
(150,214)	-	(150,214)
(292,544)	-	(292,544)
<u>(1,378,903)</u>	<u>-</u>	<u>(1,378,903)</u>
(69,405)	-	(69,405)
4,347	-	4,347
(323,428)	-	(323,428)
(277,338)	-	(277,338)
(97,897)	-	(97,897)
<u>(763,721)</u>	<u>-</u>	<u>(763,721)</u>
(12,906)	-	(12,906)
(106,573)	-	(106,573)
-	-	-
(10,739)	-	(10,739)
<u>(117,312)</u>	<u>-</u>	<u>(117,312)</u>
(2,272,842)	-	(2,272,842)
-	(3,683)	(3,683)
<u>(2,272,842)</u>	<u>(3,683)</u>	<u>(2,276,525)</u>
1,072,421	-	1,072,421
107,105	-	107,105
74,259	-	74,259
164,068	-	164,068
1,031,576	-	1,031,576
27,134	30	27,164
4,421	-	4,421
<u>2,480,984</u>	<u>30</u>	<u>2,481,014</u>
208,142	(3,653)	204,489
<u>1,293,542</u>	<u>16,064</u>	<u>1,309,606</u>
<u>1,501,684</u>	<u>12,411</u>	<u>1,514,095</u>

AURELIA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2006

	General Fund	Physical Plant and Equipment Levy	Nonmajor Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	633,726	263,838	228,461	1,126,025
Receivables:				
Property tax:				
Delinquent	21,347	2,177	1,142	24,666
Succeeding year	1,109,338	116,367	55,000	1,280,705
Accounts	2,360	-	-	2,360
Due from other governments	87,653	-	28,240	115,893
Total assets	<u>1,854,424</u>	<u>382,382</u>	<u>312,843</u>	<u>2,549,649</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	11,889	410	5,491	17,790
Salaries and benefits payable	5,954	-	-	5,954
Deferred revenue:				
Succeeding year property tax	1,109,338	116,367	55,000	1,280,705
Other	63,898	-	-	63,898
Total liabilities	<u>1,191,079</u>	<u>116,777</u>	<u>60,491</u>	<u>1,368,347</u>
Fund balances:				
Reserved for:				
Gifted and talented program	102,222	-	-	102,222
Unreserved, reported in:				
General fund	561,123	-	-	561,123
Special revenue funds	-	265,605	71,056	336,661
Capital project funds	-	-	181,296	181,296
Total fund balances	<u>663,345</u>	<u>265,605</u>	<u>252,352</u>	<u>1,181,302</u>
Total liabilities and fund balances	<u>1,854,424</u>	<u>382,382</u>	<u>312,843</u>	<u>2,549,649</u>

AURELIA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2006

	\$
Total governmental fund balances (Exhibit C)	1,181,302
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in the governmental funds.	276,732
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	63,898
Long-term liabilities, including early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(20,248)</u>
Net assets of governmental activities (Exhibit A)	<u><u>1,501,684</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2006

	General Fund	Physical Plant and Equipment Levy	Nonmajor Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,093,413	107,105	219,008	1,419,526
Tuition	111,005	-	-	111,005
Other	33,363	14,672	97,865	145,900
State sources	1,244,029	81	43	1,244,153
Federal sources	98,957	7,351	-	106,308
Total revenues	<u>2,580,767</u>	<u>129,209</u>	<u>316,916</u>	<u>3,026,892</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,196,831	-	17,069	1,213,900
Special instruction	205,141	-	-	205,141
Other instruction	294,952	-	98,200	393,152
	<u>1,696,924</u>	<u>-</u>	<u>115,269</u>	<u>1,812,193</u>
Support services:				
Student services	75,879	-	877	76,756
Instructional staff services	3,042	-	3,557	6,599
Administration services	320,877	-	11,317	332,194
Operation and maintenance of plant services	241,130	37,506	9,523	288,159
Transportation services	65,330	30,807	16,157	112,294
	<u>706,258</u>	<u>68,313</u>	<u>41,431</u>	<u>816,002</u>
Non-instructional programs	12,621	-	285	12,906
Other expenditures:				
Facilities acquisition	-	20,972	85,601	106,573
AEA flowthrough	99,831	-	-	99,831
	<u>99,831</u>	<u>20,972</u>	<u>85,601</u>	<u>206,404</u>
Total expenditures	<u>2,515,634</u>	<u>89,285</u>	<u>242,586</u>	<u>2,847,505</u>
Excess (deficiency) of revenues over (under) expenditures	<u>65,133</u>	<u>39,924</u>	<u>74,330</u>	<u>179,387</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	383	-	-	383
Operating transfers in	-	-	8,787	8,787
Operating transfers out	(8,787)	-	-	(8,787)
Total other financing sources (uses)	<u>(8,404)</u>	<u>-</u>	<u>8,787</u>	<u>383</u>
Net changes in fund balances	56,729	39,924	83,117	179,770
Fund balances beginning of year	<u>606,616</u>	<u>225,681</u>	<u>169,235</u>	<u>1,001,532</u>
Fund balances end of year	<u><u>663,345</u></u>	<u><u>265,605</u></u>	<u><u>252,352</u></u>	<u><u>1,181,302</u></u>

AURELIA 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 (Exhibit E)		179,770
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year as follows:		
Expenditures for capital outlays	70,812	
Depreciation expense	<u>(52,112)</u>	18,700
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		(1,673)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Early retirement		<u>11,345</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>208,142</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds
June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	1,936
Accounts receivable	401
Inventories	1,065
Capital assets, net of accumulated depreciation	<u>9,361</u>
Total assets	12,763
Liabilities	
Deferred revenue	<u>352</u>
Net assets	
Invested in capital assets, net of related debt	9,361
Unrestricted	<u>3,050</u>
Total net assets	<u><u>12,411</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>48,941</u>
Operating expenses:	
Non-instructional programs:	
Salaries	33,925
Supplies	56,951
Depreciation	2,166
Other	<u>3,387</u>
	<u>96,429</u>
Operating gain (loss)	<u>(47,488)</u>
Non-operating revenue:	
State sources	1,477
Federal sources	42,328
Interest on investments	<u>30</u>
Total non-operating revenue	<u>43,835</u>
Change in net assets	(3,653)
Net assets beginning of year	<u>16,064</u>
Net assets end of year	<u><u>12,411</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	48,732
Cash payments to employees for services	(33,925)
Cash payments to suppliers for goods or services	(51,309)
Net cash used by operating activities	<u>(36,502)</u>
Cash flows from non-capital financing activities:	
State grants received	1,477
Federal grants received	34,619
Net cash provided by non-capital financing activities	<u>36,096</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>30</u>
Net increase (decrease) in cash and cash equivalents	(376)
Cash and cash equivalents at beginning of year	<u>2,313</u>
Cash and cash equivalents at end of year	<u><u>1,937</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating gain (loss)	(47,488)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	7,709
Depreciation	2,166
Decrease (increase) in inventories	1,321
Decrease (increase) in accounts receivable	294
(Decrease) increase in deferred revenue	(504)
Net cash used in operating activities	<u><u>(36,502)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$7,709 of federal commodities.

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2006

	Private Purpose Trust Scholarship	Agency
	<u>\$</u>	<u>\$</u>
Assets		
Cash and pooled investments	4,987	182
Liabilities		
Accounts payable	<u>-</u>	<u>182</u>
Net Assets		
Reserved for scholarships	<u><u>4,987</u></u>	<u><u>-</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2006

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	1,168
Interest	110
Total additions	<u>1,278</u>
Deductions:	
Support services:	
Scholarships awarded	<u>1,150</u>
Change in net assets	128
Net assets beginning of year	<u>4,859</u>
Net assets end of year	<u><u>4,987</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

1. Summary of Significant Accounting Policies

Aurelia Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Aurelia Iowa and the predominately agricultural territory in a portion of Cherokee and Buena Vista Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Aurelia Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) The potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Aurelia Community School District Foundation is a component unit. The Foundation's financial statements have been blended with the financial statements of the District and are included in the District Support Trust Fund.

The Aurelia Community School District Foundation was established to operate exclusively for the benefit of the Aurelia Community School District. The foundation may 1) receive, administer, and distribute funds, property and gifts of any kind, 2) develop, administer and distribute scholarships, 3) develop and administer programs to enhance classroom instruction and 4) may take any other action deemed necessary or desirable to enhance or develop educational programs or facilities.

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 County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non fiduciary 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 non fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

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

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

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

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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 judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

D. Assets, Liabilities, and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became 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.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	5,000
Buildings	1,500
Improvements other than buildings	1,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-25 years
Furniture and equipment	3-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the non-instructional programs function exceeded the amount budgeted.

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.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

3. Interfund Transfers

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

Transfer to	Transfer from	Amount \$
Nonmajor Funds:		
Student Activity fund	General Fund	8,787

This transfer reflects payment for costs allowed to be paid from the General Fund.

4. Capital Assets

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

	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
Governmental activities:				
Capital assets not being depreciated:				
Land	31,400	-	-	31,400
Capital assets being depreciated:				
Buildings	712,872	-	-	712,872
Improvements other than buildings	331,894	-	193,881	138,013
Furniture and equipment	641,337	70,809	(175,400)	887,546
Total capital assets being deprec.	1,686,103	70,809	18,481	1,738,431
Less accumulated depreciation for:				
Buildings	617,546	9,157	(391)	627,094
Improvements other than buildings	301,196	1,582	174,255	128,523
Furniture and equipment	540,729	41,373	(155,380)	737,482
Total accumulated depreciation	1,459,471	52,112	18,484	1,493,099
Total capital assets being depreciated, net	226,632	18,697	(3)	245,332
Governmental activities capital assets, net	258,032	18,697	(3)	276,732
	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
Business type activities:				
Furniture and equipment	25,929	-	-	25,929
Less accumulated depreciation	14,403	2,166	-	16,569
Business type activities capital assets, net	11,526	(2,166)	-	9,360

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	10,333
Support Services:	
Administration services	2,579
Operation and maintenance of plant services	12,051
Transportation	16,410
	41,373
Unallocated depreciation	10,739
	52,112
 Business type activities:	
Food service operations	2,166
	2,166

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Termination benefits	31,593	-	11,345	20,248	7,057
	31,593	-	11,345	20,248	7,057

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least ten years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2006, the District has obligations to four participants with a total liability of \$20,248. Actual early retirement expenditures for the year ended June 30, 2006 totaled \$11,345.

6. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$87,908, \$84,891, and \$84,606 respectively, equal to the required contributions for each year.

7. Risk Management

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

8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$99,831 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.

9. Contingency

There is an outstanding lawsuit against the District involving the death of a student at an after prom party. The suit is being handled by the District's insurance company. The amount and the outcome is unknown at this time.

REQUIRED SUPPLEMENTAL INFORMATION

AURELIA COMMUNITY SCHOOL DISTRICT

Budget Comparison Schedule of Revenues, Expenditures, and Changes in Balances
 Budget and Actual - All Governmental Funds and Proprietary Fund
 Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Net	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
				\$	\$	
Revenues:						
Local sources	1,676,431	48,971	1,725,402	1,608,572	1,608,572	116,830
State sources	1,244,153	1,477	1,245,630	1,277,759	1,277,759	(32,129)
Federal sources	106,308	42,328	148,636	167,000	167,000	(18,364)
Total revenues	<u>3,026,892</u>	<u>92,776</u>	<u>3,119,668</u>	<u>3,053,331</u>	<u>3,053,331</u>	<u>66,337</u>
Expenditures:						
Instruction	1,812,193	-	1,812,193	1,845,482	1,845,482	33,289
Support services	816,002	-	816,002	864,879	864,879	48,877
Noninstructional programs	12,906	96,429	109,335	108,721	108,721	(614)
Other expenditures	206,404	-	206,404	308,258	308,258	101,854
Total expenditures	<u>2,847,505</u>	<u>96,429</u>	<u>2,943,934</u>	<u>3,127,340</u>	<u>3,127,340</u>	<u>183,406</u>
Excess (deficiency) of revenues over (under) expenditures	179,387	(3,653)	175,734	(74,009)	(74,009)	249,743
Other financing sources (uses) net	<u>383</u>	<u>-</u>	<u>383</u>	<u>150</u>	<u>150</u>	<u>233</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	179,770	(3,653)	176,117	(73,859)	(73,859)	249,976
Balance beginning of year	<u>1,001,532</u>	<u>16,064</u>	<u>1,017,596</u>	<u>959,898</u>	<u>959,898</u>	<u>57,698</u>
Balance end of year	<u><u>1,181,302</u></u>	<u><u>12,411</u></u>	<u><u>1,193,713</u></u>	<u><u>886,039</u></u>	<u><u>886,039</u></u>	<u><u>307,674</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except 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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. 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 did not amend the budget.

During the year ended June 30, 2006, expenditures in the non-instructional programs function exceeded the amount budgeted.

OTHER SUPPLEMENTAL INFORMATION

AURELIA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2006

Assets	Special Revenue Funds				Capital Projects Funds	Total
	Management	Student Activity Fund	67.5 Cent Levy	District Support Trust Funds	Local Option Sales and Services Tax	
	\$	\$	\$	\$	\$	\$
Cash and pooled investments	36,264	21,006	169	14,661	156,361	228,461
Receivables:						
Property tax:						
Delinquent	1,142	-	-	-	-	1,142
Succeeding year	55,000	-	-	-	-	55,000
Due from other governments	-	-	-	-	28,240	28,240
Total assets	92,406	21,006	169	14,661	184,601	312,843
Liabilities & Fund Balances						
Liabilities:						
Accounts payable	1,635	551	-	-	3,305	5,491
Deferred revenue:						
Succeeding year property tax	55,000	-	-	-	-	55,000
Total liabilities	56,635	551	-	-	3,305	60,491
Fund balances:						
Unreserved reported in:						
Special revenue funds	35,771	20,455	169	14,661	-	71,056
Capital project funds	-	-	-	-	181,296	181,296
Total fund equity	35,771	20,455	169	14,661	181,296	252,352
Total liabilities and fund balances	92,406	21,006	169	14,661	184,601	312,843

AURELIA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Funds

Year ended June 30, 2006

	Special Revenue Funds				Capital Projects Funds	Total
	Management	Student Activity Fund	67.5 Cent Levy	District Support Trust Funds	Local Option Sales and Services Tax	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	54,940	-	-	-	164,068	219,008
Other	2,344	94,110	-	1,411	-	97,865
State sources	43	-	-	-	-	43
Total revenues	<u>57,327</u>	<u>94,110</u>	<u>-</u>	<u>1,411</u>	<u>164,068</u>	<u>316,916</u>
Expenditures:						
Current:						
Instruction:						
Regular instruction	14,193	-	1,478	1,398	-	17,069
Other instruction	-	98,200	-	-	-	98,200
Support services:						
Student services	861	-	-	16	-	877
Instructional staff services	3,557	-	-	-	-	3,557
Administration services	11,317	-	-	-	-	11,317
Operation and maintenance of plant services	9,523	-	-	-	-	9,523
Transportation services	16,157	-	-	-	-	16,157
Non-instructional programs	285	-	-	-	-	285
Other expenditures:						
Facilities acquisition	-	-	-	-	85,601	85,601
Total expenditures	<u>55,893</u>	<u>98,200</u>	<u>1,478</u>	<u>1,414</u>	<u>85,601</u>	<u>242,586</u>
Excess (deficiency) of revenues over (under) expenditures	1,434	(4,090)	(1,478)	(3)	78,467	74,330
Other financing sources (uses):						
Operating transfers in	-	8,787	-	-	-	8,787
Net changes in fund balances	1,434	4,697	(1,478)	(3)	78,467	83,117
Fund balance beginning of year	<u>34,337</u>	<u>15,758</u>	<u>1,647</u>	<u>14,664</u>	<u>102,829</u>	<u>169,235</u>
Fund balance end of year	<u>35,771</u>	<u>20,455</u>	<u>169</u>	<u>14,661</u>	<u>181,296</u>	<u>252,352</u>

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Inter-Fund and Intra- Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Drama	2,012	561	1,074	-	1,499
HS thespian troupe	40	2,156	1,721	200	675
Speech	40	-	-	-	40
Vocal	579	298	69	-	808
Instrumental music	105	1,777	1,626	-	256
Wrestling	-	1,610	1,610	-	-
Honor society	27	1,141	1,278	400	290
Music fund raiser	62	593	593	-	62
Interest	269	114	55	(75)	253
Travel group	438	-	-	-	438
NASA	-	855	855	-	-
Chess club	205	-	127	-	78
F.C.S.	1,725	805	586	-	1,944
JH sports	-	3,411	3,411	-	-
Annual staff	3,330	6,875	9,069	400	1,536
K-8 student council	593	1,807	1,186	(421)	793
Student council	1,603	16,758	13,974	(3,351)	1,036
Got milk	1,111	3,333	3,083	-	1,361
Aurelia sports	-	21,503	30,360	8,857	-
Wr cheerleaders	35	106	924	840	57
Cheerleaders	697	100	94	140	843
Drill team	2,025	2,105	2,991	540	1,679
Class of 2006	672	10,557	11,681	452	-
Class of 2007	842	17,042	11,845	400	6,439
Class of 2008	4	595	88	400	911
Class of 2009	-	5	10	5	-
Beginning accruals	(656)	(5)	(661)	-	-
Ending accruals	-	8	551	-	(543)
Totals	15,758	94,110	98,200	8,787	20,455

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2006

	Flower Fund <u>\$</u>
Balance beginning of year	317
Additions:	
Collections	225
Deductions:	
Miscellaneous	<u>360</u>
Balance end of year	<u><u>182</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Fund Types
For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,419,526	1,482,719	1,471,722	1,400,408
Tuition	111,005	75,306	64,989	77,439
Other	145,900	121,946	108,393	107,951
State sources	1,244,153	1,162,500	1,028,568	1,172,964
Federal sources	106,308	125,854	119,604	66,586
	<u>3,026,892</u>	<u>2,968,325</u>	<u>2,793,276</u>	<u>2,825,348</u>
Total revenues				
Expenditures:				
Instruction:				
Regular instruction	1,213,900	1,192,229	1,224,065	1,254,009
Special instruction	205,141	200,074	203,505	191,525
Other instruction	393,152	398,720	342,738	338,009
Support services:				
Student services	76,756	74,287	74,275	50,819
Instructional staff services	6,599	5,952	13,312	28,350
Administration services	332,194	325,066	323,699	327,800
Operation and maintenance of plant services	288,159	260,474	242,966	225,585
Transportation services	112,294	77,309	132,698	88,970
Non-instructional programs	12,906	13,840	12,410	10,907
Other expenditures:				
Facilities acquisition	106,573	164,241	49,826	31,803
AEA flowthrough	99,831	98,571	100,004	108,391
	<u>2,847,505</u>	<u>2,810,763</u>	<u>2,719,498</u>	<u>2,656,168</u>
Total expenditures				

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
Aurelia 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 Aurelia 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 November 9, 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 Aurelia Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items 06-I-A and 06-I-B are material weaknesses.

Compliance and Other Matters

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

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

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

November 9, 2006

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

06-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

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

Conclusion: Response accepted.

06-I-B Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The stamp is under the care, custody and control of the administrative office. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

06-II-A Certified Budget: Expenditures for the year ended June 30, 2006, exceeded the amount budgeted in the non-instructional programs functional area.

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

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

06-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

06-II-C Travel Expenses: 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.

06-II-D Business Transactions: We noted no transactions between the District and District officials or employees.

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

06-II-F Board Minutes: We noted transactions for the Trust and Agency funds were not approved in the minutes.

Recommendation: All transactions should be approved by the board and included in the monthly bills in the minutes.

District Response: We will include Trust and Agency bills to be approved by the board in the future.

Conclusion: Response accepted.

06-II-G Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education on Line 1 of the Certified Enrollment Certification Form for September 2005, was overstated by 3.6 student.

Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

District Response: We will contact these departments.

Conclusion: Response accepted.

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

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

06-II-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

06-II-I Certified Annual Report (CAR): The CAR was certified to the Iowa Department of Education timely.