

ANAMOSA COMMUNITY SCHOOL DISTRICT
ANAMOSA, IOWA

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

JUNE 30, 2007

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ANAMOSA COMMUNITY SCHOOL DISTRICT

OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|----------------------------------|----------------|---------------------|
| <u>Board of Education</u> | | |
| (Before September 2006 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>Board of Education</u> | | |
| (After September 2006 Election) | | |
| Jim Mitchel | President | 2007 |
| Sharon Weideman | Vice President | 2009 |
| LeAnn Ridgeway | Board Member | 2009 |
| Connie McKean | Board Member | 2009 |
| Julie Von Muenster | Board Member | 2007 |
| Julie Fall | Board Member | 2008 |
| Brian Darrow | Board Member | 2008 |

| | | |
|-------------------------|--------------------|------|
| <u>School Officials</u> | | |
| Dale Monroe | Superintendent | 2007 |
| Don L. Folkerts | District Secretary | 2007 |
| Linda Von Behren | District Treasurer | 2007 |
| Brian Gruhn | Attorney | 2007 |
| Adrian Knuth Law Firm | Attorney | 2007 |

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, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the 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 at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2007 on our consideration of Anamosa Community School District's internal control over financial reporting and on 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 56 through 57 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, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, 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 the 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
December 13, 2007

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, 2007. Please consider this information in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- Fuel prices continued to remain high during the year. While the increase from the previous year was only 4.0%, the district expended \$20,987, or 40.5% more in fuel costs in FY '07 than in FY '05 and \$34,404 or 89.6% more than in FY '04.
- Interest rates continued to climb favorably, resulting in increased interest income of \$20,375 or 15.1%.
- The District continued to utilize School Infrastructure Local Option Sales Tax (SILO) proceeds to call the 1997 general obligation bonds. These bonds became callable June 1, 2006. The District called a total of \$685,000 in bonds during fiscal year 2007. The bonds otherwise had maturity dates of 2013, 2014, and 2015.
- The District added a three year old preschool program to its existing four year old program. This was the second year of offering a preschool program for four year olds.
- The District purchased 57.9 acres on the east edge of Anamosa along Highway 64 as a potential future site of a new high school.
- The District designated \$275,000 from the general fund balance for the purposes of technology, curriculum, and professional development for the 2006-2007 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.

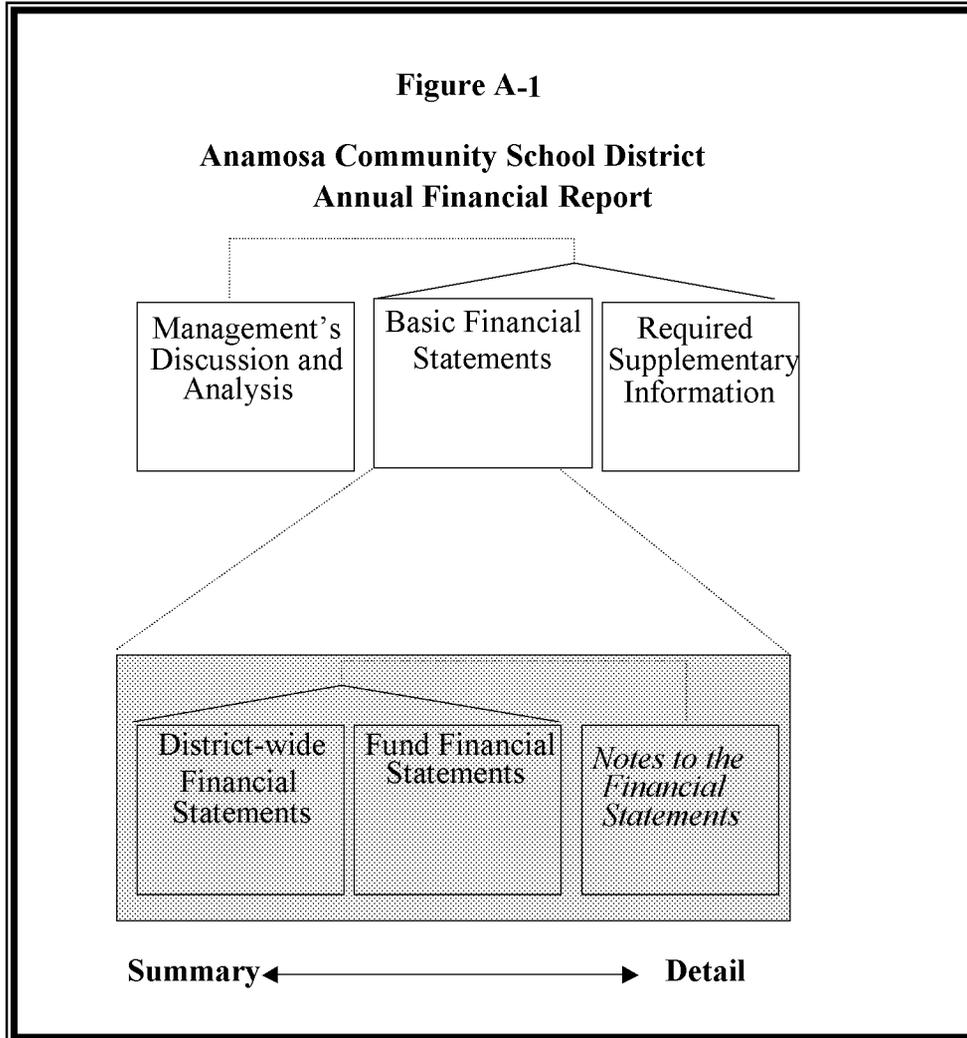


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents 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 service and preschool are 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, and the preschool program are 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 had one internal service fund, the Employee Group Health Fund. This fund was closed into the General Fund and School Nutrition Fund in the current year.
- *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, 2007 compared to June 30, 2006.

Figure A-3

Condensed Statement of Net Assets

| | Governmental Activities | | Business Type Activities | | Total School District | |
|--|--------------------------|----------------------|-----------------------------|-------------------|--------------------------|----------------------|
| | <u>2006</u> | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> | <u>2007</u> |
| | Current and other assets | \$ 7,817,312 | \$ 7,984,199 | \$ 109,537 | \$ 86,484 | \$ 7,926,849 |
| Capital assets | <u>7,232,869</u> | <u>7,877,557</u> | <u>88,923</u> | <u>74,408</u> | <u>7,321,792</u> | <u>7,951,965</u> |
| Total assets | <u>\$ 15,050,181</u> | <u>\$ 15,861,756</u> | <u>\$ 198,460</u> | <u>\$ 160,892</u> | <u>\$ 15,248,641</u> | <u>\$ 16,022,648</u> |
| Long-term obligations | \$ 3,248,105 | \$ 2,304,505 | \$ 52,000 | \$ 0 | \$ 3,300,105 | \$ 2,304,505 |
| Other liabilities | <u>4,179,162</u> | <u>5,077,637</u> | <u>14,839</u> | <u>36,292</u> | 4,194,001 | 5,113,929 |
| Total liabilities | \$ <u>7,427,267</u> | \$ <u>7,382,142</u> | \$ <u>66,839</u> | \$ <u>36,292</u> | \$ <u>7,494,106</u> | \$ <u>7,418,434</u> |
| Net assets | | | | | | |
| Invested in capital assets, net of related debt | \$ \$ 4,042,869 | \$ 5,631,157 | \$ 88,923 | \$ 74,408 | \$ 4,131,792 | \$ 5,705,565 |
| Restricted | 791,653 | 742,517 | - | - | 791,653 | 742,517 |
| Unrestricted | <u>2,788,392</u> | <u>2,105,940</u> | <u>42,698</u> | <u>50,192</u> | <u>2,831,090</u> | <u>2,156,132</u> |
| Total net assets | \$ <u>7,622,914</u> | \$ <u>8,479,614</u> | \$ <u>131,621</u> | \$ <u>124,600</u> | \$ <u>7,754,535</u> | \$ <u>8,604,214</u> |

Net assets from governmental activities increased by \$856,700 in FY '07. This is primarily 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 \$7,021. (See Figure A-4)

Figure A-4

Changes in Net Assets from Operating Results

| | Governmental Activities | | Business-type Activities | | Total School District | |
|---|----------------------------|---------------------|-----------------------------|-------------------|--------------------------|---------------------|
| | <u>2006</u> | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> | <u>2007</u> |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 1,154,275 | \$ 1,240,304 | \$ 540,226 | \$ 674,746 | \$ 1,694,501 | \$ 1,915,050 |
| Operating Grants & Contributions | 1,612,280 | 1,753,128 | 226,559 | 217,017 | 1,838,839 | 1,970,145 |
| Capital Grants & Contributions | - | - | 2,831 | - | 2,831 | - |
| General revenues | | | | | | |
| Property taxes | 3,375,533 | 3,435,526 | - | - | 3,375,533 | 3,435,526 |
| Other taxes | 988,190 | 1,099,095 | - | - | 988,190 | 1,099,095 |
| Unrestricted Grants/Entitlements & interest | 5,652,580 | 5,824,326 | 348 | 326 | 5,652,928 | 5,824,652 |
| Total revenues | \$ 12,782,858 | \$13,352,379 | \$ 769,964 | \$ 892,089 | \$13,552,822 | \$14,244,468 |
| Expenses | | | | | | |
| Instruction | \$ 7,411,344 | \$ 7,974,416 | - | 18,194 | \$ 7,411,344 | \$ 7,992,610 |
| Support Services | 3,619,348 | 3,684,895 | - | 107,693 | 3,619,348 | 3,792,588 |
| Debt Service, interest on long-term debt | 212,451 | 154,396 | - | - | 212,451 | 154,396 |
| Other | 629,336 | 681,972 | 788,580 | 773,223 | 1,417,916 | 1,455,195 |
| Total expenses | \$ 11,872,479 | \$12,495,679 | \$ 788,580 | \$ 899,110 | \$12,661,059 | \$13,394,789 |
| Change in net assets | \$ <u>910,379</u> | \$ <u>856,700</u> | \$ (18,616) | \$ (7,021) | \$ <u>891,763</u> | \$ <u>849,679</u> |

Figure A-5 shows the sources of revenues of governmental activities for fiscal year 2007. State Aid made up 42.2% of total revenues, a slight decrease from 42.7% the previous year. Property Taxes made up 25.7% of revenues, a decrease from 26.4% last year. Federal & State categorical grants made up 13.1% of the revenues, up from 12.6% last year. Charges for services as a percentage of total revenues increased from 9.0% to 9.3%. Other taxes, which consist of SILO and Income Surtax, made up 8.2% of governmental revenues, up from 7.7% last year. Investment earnings continued to make up 1.5% of total revenues.

Figure A-5 Governmental Activities - Sources of Revenues for 2007

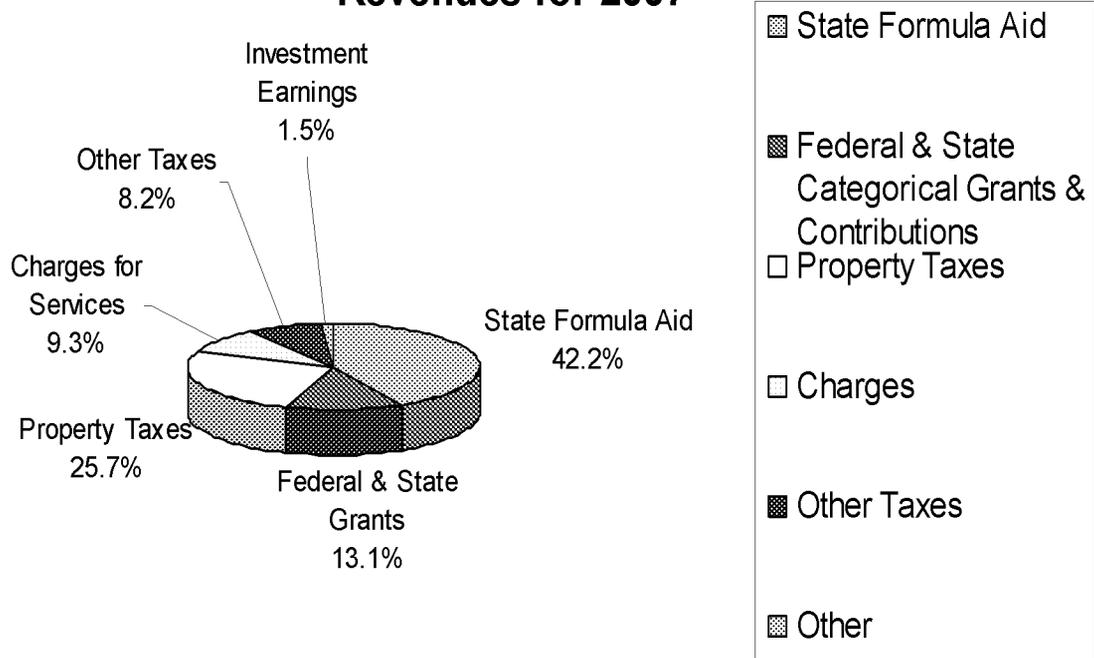


Figure A-6 illustrates the expenses of the District's governmental activities divided into seven categories and presents them as a percent of all governmental activities expenses. Instructional expenses made up 63.8% of all governmental activities expenses. This is up from 62.4% in 2006. Pupil and Instructional Support, which includes media, guidance, and technology support, made up 9.4% of all expenses. Administration represented 8.2% of all expenses, up from 7.7%. Maintenance and Transportation accounted for 7.0% and 4.9% respectively of all expenses. Maintenance declined as a percent of total expenses from 7.6% last year. Debt Service accounted for 1.2%, down from 1.8%. All Other was 5.5% of total expenses.

**Figure A-6
Governmental Activities
Expenses for 2007**

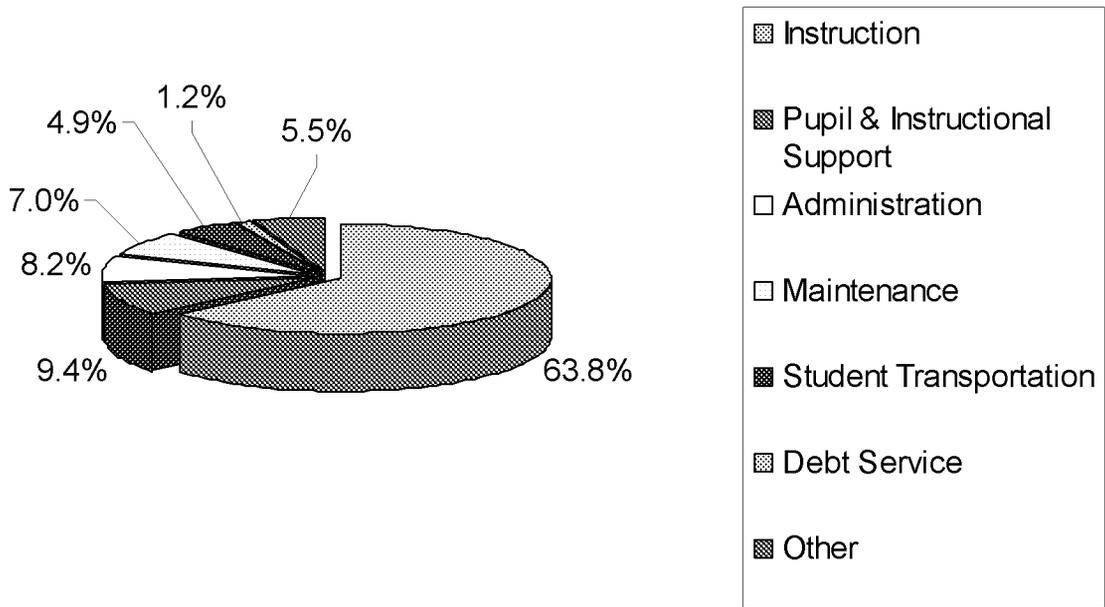


Figure A-7 presents the cost of four major district activities: instruction, support services including maintenance and transportation, debt service, and other. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific 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>2006</u> | <u>2007</u> | <u>2006</u> | <u>2007</u> |
| Instruction | \$ 7,411,344 | \$ 7,974,416 | \$ 5,610,765 | \$ 5,967,132 |
| Support Services | 3,619,348 | 3,684,895 | 3,056,456 | 3,130,974 |
| Debt Service | 212,451 | 154,396 | 212,451 | 154,396 |
| Other | <u>629,336</u> | <u>681,972</u> | <u>226,252</u> | <u>249,745</u> |
| Total | \$11,872,479 | \$12,495,679 | \$ 9,105,924 | \$ 9,502,247 |

- The cost of all governmental activities for FY '07 was \$12,495,679.
- Some of the cost was financed by the users of the District's programs (see FigureA-4)
- The federal and state governments subsidized certain programs with grants and contributions in the amount of \$1,753,128, and charges for district services financed \$1,240,304.
- Most of the District's costs (\$9,502,247), however, were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$3,435,526 in property taxes, \$5,633,765 of unrestricted state aid based on the statewide finance formula and \$163,013 of investment earnings.

Business-Type Activities

Program revenues of the District's business-type activities increased to \$892,089 from \$769,964, an increase of \$122,125. This increase was due to the sale of two student built homes, the '05-06 and '06-07 homes. Expenses for business-type activities increased to \$899,110 from \$788,580. The majority of this increase is attributed to recognizing the expenses of two Construction Trades homes. (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 \$2,594,000. This is down from a combined governmental fund balance of approximately \$3,275,000 at June 30, 2006. The general fund balance decreased by \$294,104, largely due to the use of board-designated unexpended funds. The majority of the remaining decrease in governmental fund balances occurred in the PPEL fund with the purchase of the Highway 64 property.

Governmental Fund Highlights

- The General Fund balance decreased by 10.9% from approximately \$2,700,000 to approximately \$2,400,000. This decrease is primarily due to the use of board-designated carryover funds for the purpose of professional development, technology, and curriculum.
- The Capital Projects Fund balance decreased by 4.4% or \$15,706. This balance will fluctuate slightly from year to year based on the amount of the bond redemptions.
- The Physical Plant and Equipment Fund (PPEL) balance decreased by \$401,818. This was primarily due to the purchase of 57.9 acres as a potential future site of a new high school. Some other items and projects funded from PPEL during fiscal year 2007 included science equipment at a cost of \$12,360, musical instruments totaling \$9,920, building remodeling and fire safety improvements of \$29,608, a vehicle and skidloader replacement at a combined cost of \$25,250, district sidewalk replacement for \$4,388, and the replacement of a section of windows at the high school for \$15,276.
- The Management Fund balance increased by \$29,277 to \$47,436. In the prior year, the first one-fourth of fiscal year 2006 early retiree benefits of approximately \$22,000 had been recognized as liabilities, though it was not required. Consequently, the management fund balance at June 30, 2006 was lower than usual.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased by \$14,942 from June 30, 2006 to \$121,471 at June 30, 2007. This was primarily due to reduced federal reimbursements.

The Construction Trades Fund experienced an increase in net assets of \$12,140 from the previous year. This increase was the result of the sale of both 2005-2006 and 2006-2007 homes.

The Preschool Fund net assets decreased by \$4,219 since June 30, 2006. To the extent costs exceed revenues, costs for this program are typically transferred into the General Fund, covered by 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 increased costs in the Instruction function, specifically for increased Teacher Quality funding; to reclassify Non-instructional Programs from Total Support Services; and to increase Total Other Expenditures for the purchase of land.

Although three function areas were amended, two function areas exceeded the certified budget. Non-instructional Programs exceeded the budget due to the sale of two student-built homes near the end of the fiscal year. This resulted in recognizing the costs of both homes in the same fiscal year. Total Other Expenditures also exceeded budget. This was due to a greater amount of bonds called than previously budgeted. This was based on actual SILO funds on hand 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 \$801,970 more than budgeted, a variance of 5.9%. This is due to several reasons. SILO revenues were approximately \$217,500 more than budgeted. The Student Activity Fund revenues were approximately \$120,250 more than budgeted. The sale of two construction trades homes in one year accounted for additional revenues of approximately \$124,000. General Fund revenues exceeded budgeted revenues by \$363,579 or 3.3%. This was primarily due to tuition and interest revenues being greater than estimated.

Total expenditures were less than the budgeted amount by 6.2% primarily due to 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 June 30, 2007, the District had invested approximately \$7.9 million in a broad range of assets, including school buildings, athletic facilities, transportation, and technology equipment. (See Figure A-8) This is a net increase of \$630,173 from last year. Most of this net increase is attributable to the land purchase for \$521,100. The increase in equipment and furniture includes the purchase of two 78 passenger school buses at a total cost of \$163,150 and technology upgrades of \$119,707. Land improvements consisted mainly of the payment for water and sewer for the Highway 64 property. **(More detailed information about capital assets can be found in Note 5 to the financial statements.)** Depreciation expense for the year was \$364,877 for governmental activities.

Figure A-8

Capital Assets (net of depreciation)

| | Governmental Activities | | Business-type Activities | | Total School District | | Total Percentage Change |
|--------------------------|----------------------------|--------------------|-----------------------------|-----------------|--------------------------|--------------------|-------------------------------|
| | <u>2006</u> | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006-2007</u> |
| Land | \$70,250 | \$591,350 | \$ - | \$ - | \$70,250 | \$ 591,350 | 741.8% |
| Land Improvements | 379,941 | 430,924 | | | 379,941 | 430,924 | 13.4% |
| Buildings | 6,405,630 | 6,254,380 | - | - | 6,405,630 | 6,254,380 | -2.36% |
| Equipment & Furniture | <u>377,048</u> | <u>600,903</u> | <u>88,923</u> | <u>74,408</u> | <u>465,971</u> | <u>675,311</u> | 44.93% |
| | \$ 7,232,869 | \$7,877,557 | \$88,823 | \$74,408 | \$7,321,792 | \$7,951,965 | 8.61% |

Long-Term Debt

At year-end, the District had \$2,190,000 in general obligation bonds outstanding. This is a decrease of \$1,000,000 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 District called \$695,000 of bonds using SILO funds. By calling the bonds as SILO 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 |
|--|---------------------|---------------------|------------------|
| | School District | | Percentage |
| | <u>2006</u> | <u>2007</u> | <u>2006-2007</u> |
| Early retirement | \$ 58,105 | \$ 58,105 | 0.0% |
| General obligation bonds & notes (financed with property taxes) | 3,190,000 | 2,190,000 | -31.3% |
| Notes Payable | - | <u>56,400</u> | +100.0% |
| Total | \$ 3,248,105 | \$ 2,304,505 | -29.1% |

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 four-year old preschool program was selected to be funded under the state-wide voluntary preschool program. This grant award is for \$204,787 for the 2007-2008 year. For this program that was awarded funding, the grant is not competitive in future years.
- The residents of Linn County approved a ten year SILO tax effective 7/1/2007. The vote was approved in a special election February 13, 2007. The anticipated impact for the Anamosa Community School District from these additional SILO funds is approximately \$50,000 per year.
- Effective August 1, 2007, the Anamosa Community Hospital transferred its day care programs to the School District. The day care programs consist of Rainbow Day Care, a program for infants through preschool children and Kids Quest, a before and after school program serving school-age children in Anamosa and Monticello. The Hospital continues to supply dietary and housekeeping services for two years for a monthly fee covering the cost of food. The Hospital has also committed to making a contribution to the School District for two years to cover the cost of the Day Care Director. The programs will need to undergo changes to maximize revenues through grants and/or fees and keep expenses at a minimum for long-term financial viability.

- The 2006-2007 audit disclosed an error in the 2006 Certified Enrollment. The certified enrollment was overstated by 75 students. This error resulted in an overstatement of budget authority of \$401,250. On December 19, 2007, the School Budget Review Committee approved spreading the auditor's adjustment over a five-year period. This will amount to a reduction in state aid of \$69,990 each year for the next five years
- The Board of Directors of the District has designated \$311,996 of general fund balance for the purposes of professional development, technology, curriculum, a Read 180 Pilot program, and .5 FTE of a prevention specialist for fiscal year 2007-2008.

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, 2007

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|-------------------|
| Assets | | | |
| Cash and pooled investments | \$ 3,444,377 | \$ 28,776 | \$ 3,473,153 |
| Receivables: | | | |
| Property tax: | | | |
| Current year | 50,366 | - | 50,366 |
| Succeeding year | 3,556,779 | - | 3,556,779 |
| Income surtax | 322,001 | - | 322,001 |
| Accounts | 28,876 | 452 | 29,328 |
| Due from other governments | 546,033 | 21,152 | 567,185 |
| Inventories | - | 36,104 | 36,104 |
| Prepaid expenses | 35,767 | - | 35,767 |
| Capital assets, net of accumulated depreciation (note 5) | 7,877,557 | 74,408 | 7,951,965 |
| Total assets | 15,861,756 | 160,892 | 16,022,648 |
| Liabilities | | | |
| Accounts payable | 427,174 | 25,940 | 453,114 |
| Salaries and benefits payable | 1,032,958 | 4,208 | 1,037,166 |
| Accrued interest payable | 9,623 | - | 9,623 |
| Deferred revenue: | | | |
| Succeeding year property tax | 3,556,779 | - | 3,556,779 |
| Other | 899 | 6,144 | 7,043 |
| Compensated absences | 50,204 | - | 50,204 |
| Long-term liabilities (note 6): | | | |
| Portion due within one year: | | | |
| Early retirement | 19,368 | - | 19,368 |
| Bonds payable | 320,000 | - | 320,000 |
| Notes payable | 18,800 | - | 18,800 |
| Portion due after one year: | | | |
| Early retirement | 38,737 | - | 38,737 |
| Bonds payable | 1,870,000 | - | 1,870,000 |
| Notes payable | 37,600 | - | 37,600 |
| Total liabilities | 7,382,142 | 36,292 | 7,418,434 |

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2007

| | <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 | \$ 5,631,157 | \$ 74,408 | \$ 5,705,565 |
| Restricted for: | | | |
| Other special revenue purposes | 77,257 | - | 77,257 |
| Debt service | 31,153 | - | 31,153 |
| Capital projects | 338,602 | - | 338,602 |
| State grants | 295,505 | - | 295,505 |
| Unrestricted | <u>2,105,940</u> | <u>50,192</u> | <u>2,156,132</u> |
| Total net assets | <u>\$ 8,479,614</u> | <u>\$ 124,600</u> | <u>\$ 8,604,214</u> |

See notes to financial statements.

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

| Functions/Programs | Expenses | Program Revenues | |
|---|-------------------|----------------------|------------------------------------|
| | | Charges for Services | Operating Grants and Contributions |
| Governmental Activities: | | | |
| Instruction | \$ 7,974,416 | \$ 1,218,309 | \$ 788,975 |
| Support services: | | | |
| Student services | 757,695 | - | 498,274 |
| Instructional staff services | 414,781 | - | 16,900 |
| Administration services | 1,025,073 | - | - |
| Operation and maintenance of plant services | 878,209 | 220 | - |
| Transportation services | 609,137 | 21,775 | 16,752 |
| | <u>3,684,895</u> | <u>21,995</u> | <u>531,926</u> |
| Other expenditures: | | | |
| Facilities acquisition | 26,933 | - | - |
| Long-term debt interest and fiscal charges | 154,396 | - | - |
| AEA flowthrough | 432,227 | - | 432,227 |
| Depreciation (unallocated) * | 222,812 | - | - |
| | <u>836,368</u> | <u>-</u> | <u>432,227</u> |
| Total governmental activities | <u>12,495,679</u> | <u>1,240,304</u> | <u>1,753,128</u> |
| Business-Type Activities: | | | |
| Instruction | <u>18,194</u> | <u>-</u> | <u>-</u> |
| Support services: | | | |
| Administration services | 13,430 | - | - |
| Operation and maintenance of plant services | 94,263 | - | - |
| | <u>107,693</u> | <u>-</u> | <u>-</u> |

Net (Expense) Revenue
and Changes in Net Assets

| Governmental Activities | Business-Type Activities | Total |
|----------------------------|-----------------------------|----------------|
| \$ (5,967,132) | \$ - | \$ (5,967,132) |
| (259,421) | - | (259,421) |
| (397,881) | - | (397,881) |
| (1,025,073) | - | (1,025,073) |
| (877,989) | - | (877,989) |
| (570,610) | - | (570,610) |
| (3,130,974) | - | (3,130,974) |
| (26,933) | - | (26,933) |
| (154,396) | - | (154,396) |
| - | - | - |
| (222,812) | - | (222,812) |
| (404,141) | - | (404,141) |
| (9,502,247) | - | (9,502,247) |
| - | (18,194) | (18,194) |
| - | (13,430) | (13,430) |
| - | (94,263) | (94,263) |
| - | (107,693) | (107,693) |

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

| Functions/Programs | Expenses | Program Revenues | |
|---------------------------------------|----------------------|----------------------|------------------------------------|
| | | Charges for Services | Operating Grants and Contributions |
| Business-Type Activities (continued): | | | |
| Non-instructional programs: | | | |
| Food service operations | \$ 560,740 | \$ 336,385 | \$ 209,087 |
| Construction and trades operations | 192,238 | 312,461 | - |
| Preschool operations | 20,245 | 25,900 | 7,930 |
| | <u>773,223</u> | <u>674,746</u> | <u>217,017</u> |
| Total business-type activities | <u>899,110</u> | <u>674,746</u> | <u>217,017</u> |
| Total | <u>\$ 13,394,789</u> | <u>\$ 1,915,050</u> | <u>\$ 1,970,145</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 included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

| Governmental Activities | Business-Type Activities | Total |
|----------------------------|-----------------------------|---------------------|
| \$ - | \$ (15,268) | \$ (15,268) |
| - | 120,223 | 120,223 |
| - | 13,585 | 13,585 |
| | <u>118,540</u> | <u>118,540</u> |
| - | (7,347) | (7,347) |
| <u>(9,502,247)</u> | <u>(7,347)</u> | <u>(9,509,594)</u> |
| | | |
| \$ 2,722,546 | \$ - | \$ 2,722,546 |
| 240,336 | - | 240,336 |
| 472,644 | - | 472,644 |
| 341,691 | - | 341,691 |
| 757,404 | - | 757,404 |
| 5,633,765 | - | 5,633,765 |
| 163,013 | 326 | 163,339 |
| 27,548 | - | 27,548 |
| <u>10,358,947</u> | <u>326</u> | <u>10,359,273</u> |
| 856,700 | (7,021) | 849,679 |
| <u>7,622,914</u> | <u>131,621</u> | <u>7,754,535</u> |
| <u>\$ 8,479,614</u> | <u>\$ 124,600</u> | <u>\$ 8,604,214</u> |

ANAMOSA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

| | <u>General</u> | <u>Special Revenue Physical Plant and Equipment Levy</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-------------------------------|---------------------|--|--|---|
| Assets | | | | |
| Cash and pooled investments | \$ 3,031,177 | \$ 68,700 | \$ 344,500 | \$ 3,444,377 |
| Receivables: | | | | |
| Property tax: | | | | |
| Current year | 36,788 | 3,687 | 9,891 | 50,366 |
| Succeeding year | 2,684,450 | 248,407 | 623,922 | 3,556,779 |
| Income surtax | 322,001 | - | - | 322,001 |
| Interfund receivable (note 4) | 371,100 | - | - | 371,100 |
| Accounts | 28,381 | - | 495 | 28,876 |
| Due from other governments | 315,225 | - | 230,808 | 546,033 |
| Prepaid expenses | 35,767 | - | - | 35,767 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total assets | \$ <u>6,824,889</u> | \$ <u>320,794</u> | \$ <u>1,209,616</u> | \$ <u>8,355,299</u> |

ANAMOSA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

| | General | Special Revenue Physical Plant and Equipment Levy | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|--|-----------------------------------|--------------------------------|
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 327,720 | \$ 17,831 | \$ 81,623 | \$ 427,174 |
| Salaries and benefits payable | 1,032,958 | - | - | 1,032,958 |
| Interfund payable (note 4) | - | 371,100 | - | 371,100 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 2,684,450 | 248,407 | 623,922 | 3,556,779 |
| Other | 322,900 | - | - | 322,900 |
| Compensated absences | 50,204 | - | - | 50,204 |
| Total liabilities | 4,418,232 | 637,338 | 705,545 | 5,761,115 |
| Fund balance: | | | | |
| Reserved for: | | | | |
| Prepaid expenses | 35,767 | - | - | 35,767 |
| State grants | 295,505 | - | - | 295,505 |
| Debt service | - | - | 40,776 | 40,776 |
| Unreserved: | | | | |
| Designated for: | | | | |
| Wellness | 58,236 | - | - | 58,236 |
| Professional development | 50,000 | - | - | 50,000 |
| Curriculum | 75,000 | - | - | 75,000 |
| Technology upgrades | 125,000 | - | - | 125,000 |
| Special programs | 82,991 | - | - | 82,991 |
| Reported in nonmajor Special Revenue Funds | - | - | 124,693 | 124,693 |
| Reported in nonmajor Capital Projects Fund | - | - | 338,602 | 338,602 |
| Undesignated | 1,684,158 | (316,544) | - | 1,367,614 |
| Total fund balances | 2,406,657 | (316,544) | 504,071 | 2,594,184 |
| Total liabilities and fund balances | \$ 6,824,889 | \$ 320,794 | \$ 1,209,616 | \$ 8,355,299 |

See notes to financial statements.

ANAMOSA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2007

| | |
|---|----------------------------|
| Total fund balances of governmental funds | \$ 2,594,184 |
| 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. | 7,877,557 |
| Other long-term assets, including income surtax receivable, are not available are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. | 322,001 |
| 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. | (9,623) |
| Long-term liabilities, including bonds and notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | <u>(2,304,505)</u> |
| Net assets of governmental activities | \$ <u><u>8,479,614</u></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, 2007

| | General | Special Revenue Physical Plant and Equipment Levy | Nonmajor Governmental Funds | Total |
|--|-------------------|--|-----------------------------------|-------------------|
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 2,861,749 | \$ 240,100 | \$ 1,410,576 | \$ 4,512,425 |
| Tuition | 651,467 | - | - | 651,467 |
| Other | 330,254 | 407 | 402,106 | 732,767 |
| State sources | 6,624,716 | 236 | 650 | 6,625,602 |
| Federal sources | 867,161 | - | - | 867,161 |
| Total revenues | <u>11,335,347</u> | <u>240,743</u> | <u>1,813,332</u> | <u>13,389,422</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | <u>7,482,265</u> | <u>22,280</u> | <u>456,058</u> | <u>7,960,603</u> |
| Support services: | | | | |
| Student services | 757,234 | - | - | 757,234 |
| Instructional staff services | 552,533 | 6,800 | - | 559,333 |
| Administration services | 1,025,053 | - | - | 1,025,053 |
| Operation and maintenance of plant services | 781,753 | 15,000 | 73,147 | 869,900 |
| Transportation services | 654,576 | 10,250 | 32,962 | 697,788 |
| | <u>3,771,149</u> | <u>32,050</u> | <u>106,109</u> | <u>3,909,308</u> |
| Other expenditures: | | | | |
| Facilities acquisition | - | 588,231 | 80,100 | 668,331 |
| Long term debt: | | | | |
| Principal | - | - | 1,037,600 | 1,037,600 |
| Interest and fiscal charges | - | - | 158,507 | 158,507 |
| AEA flowthrough | 432,227 | - | - | 432,227 |
| | <u>432,227</u> | <u>588,231</u> | <u>1,276,207</u> | <u>2,296,665</u> |
| Total expenditures | <u>11,685,641</u> | <u>642,561</u> | <u>1,838,374</u> | <u>14,166,576</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(350,294)</u> | <u>(401,818)</u> | <u>(25,042)</u> | <u>(777,154)</u> |

ANAMOSA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

| | <u>General</u> | <u>Special Revenue Physical Plant and Equipment Levy</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
|---|---------------------|--|--|---------------------|
| Other financing sources (uses): | | | | |
| Sale of equipment | \$ 47 | \$ - | \$ - | \$ 47 |
| Compensation for loss of capital assets | 2,200 | - | - | 2,200 |
| Interfund transfers in | - | - | 735,057 | 735,057 |
| Interfund transfers out | (40,057) | - | (695,000) | (735,057) |
| Technology loan notes issued | 94,000 | - | - | 94,000 |
| Total other financing sources (uses) | <u>56,190</u> | <u>-</u> | <u>40,057</u> | <u>96,247</u> |
| Net change in fund balances | (294,104) | (401,818) | 15,015 | (680,907) |
| Fund balances beginning of year | <u>2,700,761</u> | <u>85,274</u> | <u>489,056</u> | <u>3,275,091</u> |
| Fund balances end of year | <u>\$ 2,406,657</u> | <u>\$ (316,544)</u> | <u>\$ 504,071</u> | <u>\$ 2,594,184</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, 2007

Net change in fund balances - total governmental funds \$ (680,907)

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 | \$ 1,009,565 | |
| Depreciation expense | <u>(364,877)</u> | 644,688 |

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. 18,699

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 1,037,600

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. 4,111

The change in net assets of the Internal Service Fund is reported with governmental activities in the Statement of Activities. (73,491)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. (94,000)

Change in net assets of governmental activities \$ 856,700

See notes to financial statements.

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

| | Enterprise | | | Total |
|---|-------------------|-------------------------|----------------------|-------------------|
| | School Nutrition | Construction and Trades | Nonmajor - Preschool | |
| Assets | | | | |
| Cash and cash equivalents | \$ 19,563 | \$ 8,940 | \$ 273 | \$ 28,776 |
| Accounts receivable | 282 | - | 170 | 452 |
| Due from other governments | 21,152 | - | - | 21,152 |
| Inventories | 12,604 | 23,500 | - | 36,104 |
| Capital assets, net of accumulated depreciation | 74,408 | - | - | 74,408 |
| Total assets | 128,009 | 32,440 | 443 | 160,892 |
| Liabilities | | | | |
| Accounts payable | - | 25,940 | - | 25,940 |
| Salaries and benefits payable | 1,414 | - | 2,794 | 4,208 |
| Deferred revenue | 5,124 | - | 1,020 | 6,144 |
| Total liabilities | 6,538 | 25,940 | 3,814 | 36,292 |
| Net Assets | | | | |
| Invested in capital assets | 74,408 | - | - | 74,408 |
| Unrestricted | 47,063 | 6,500 | (3,371) | 50,192 |
| Total net assets | \$ 121,471 | \$ 6,500 | \$ (3,371) | \$ 124,600 |

See notes to financial statements.

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2007

| | Enterprise | | | Total | Internal Service - Employee Group Health |
|--|---------------------|----------------------------|-------------------------|-------------------|---|
| | School Nutrition | Construction and Trades | Nonmajor - Preschool | | |
| Operating revenues: | | | | | |
| Local sources: | | | | | |
| Charges for services | \$ 336,385 | \$ 312,461 | \$ 25,900 | \$ 674,746 | \$ - |
| Operating expenses: | | | | | |
| Instruction | - | 390 | 17,804 | 18,194 | - |
| Support services: | | | | | |
| Administration services | - | 13,430 | - | 13,430 | - |
| Operation and maintenance of plant services | - | 94,263 | - | 94,263 | - |
| Non-instructional programs | 560,740 | 192,238 | 20,245 | 773,223 | 76,745 |
| | <u>560,740</u> | <u>300,321</u> | <u>38,049</u> | <u>899,110</u> | <u>76,745</u> |
| Operating income (loss) | <u>(224,355)</u> | <u>12,140</u> | <u>(12,149)</u> | <u>(224,364)</u> | <u>(76,745)</u> |
| Non-operating revenues: | | | | | |
| Interest on investments | 326 | - | - | 326 | 3,254 |
| State sources | 6,222 | - | 7,930 | 14,152 | - |
| Federal sources | 202,865 | - | - | 202,865 | - |
| Total non-operating revenues | <u>209,413</u> | <u>-</u> | <u>7,930</u> | <u>217,343</u> | <u>3,254</u> |
| Change in net assets | (14,942) | 12,140 | (4,219) | (7,021) | (73,491) |
| Net assets beginning of year | <u>136,413</u> | <u>(5,640)</u> | <u>848</u> | <u>131,621</u> | <u>73,491</u> |
| Net assets end of year | <u>\$ 121,471</u> | <u>\$ 6,500</u> | <u>\$ (3,371)</u> | <u>\$ 124,600</u> | <u>\$ -</u> |

See notes to financial statements.

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2007

| | Enterprise | | | Total | Internal Service - Employee Group Health |
|---|---------------------|----------------------------|-------------------------|------------|---|
| | School Nutrition | Construction and Trades | Nonmajor - Preschool | | |
| Cash flows from operating activities: | | | | | |
| Cash received from sale of lunches and breakfasts | \$ 338,220 | \$ - | \$ - | \$ 338,220 | \$ - |
| Cash received from miscellaneous operating activities | 3,007 | 312,461 | 26,050 | 341,518 | - |
| Cash payments to employees for services | (259,374) | - | (36,264) | (295,638) | - |
| Cash payments to suppliers for goods or services | (255,803) | (208,079) | (147) | (464,029) | (76,745) |
| Net cash provided by (used by) operating activities | (173,950) | 104,382 | (10,361) | (79,929) | (76,745) |
| Cash flows from non-capital financing activities: | | | | | |
| State grants received | 5,846 | - | 7,930 | 13,776 | - |
| Federal grants received | 156,002 | - | - | 156,002 | - |
| Net cash provided by non-capital financing activities | 161,848 | - | 7,930 | 169,778 | - |
| Cash flows from investing activities: | | | | | |
| Interest on investments | 326 | - | - | 326 | 3,254 |
| Net increase (decrease) in cash and cash equivalents | (11,776) | 104,382 | (2,431) | 90,175 | (73,491) |
| Cash and cash equivalents beginning of year | 31,339 | (95,442) | 2,704 | (61,399) | 73,491 |
| Cash and cash equivalents end of year | \$ 19,563 | \$ 8,940 | \$ 273 | \$ 28,776 | \$ - |

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2007

| | Enterprise | | | Total | Internal Service - Employee Group Health |
|---|---------------------|----------------------------|-------------------------|--------------------|---|
| | School Nutrition | Construction and Trades | Nonmajor - Preschool | | |
| Reconciliation of operating income (loss) to net cash provided by (used by) operating activities: | | | | | |
| Operating income (loss) | \$ (224,355) | \$ 12,140 | \$ (12,149) | \$ (224,364) | \$ (76,746) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities: | | | | | |
| Depreciation | 14,515 | - | - | 14,515 | - |
| Commodities used | 26,087 | - | - | 26,087 | - |
| (Increase) in accounts receivable | (282) | - | (120) | (402) | - |
| Decrease in inventories | 3,572 | 137,682 | - | 141,254 | - |
| Increase in accounts payable | - | 13,032 | - | 13,032 | - |
| Increase in salaries and benefits payable | 1,389 | - | 1,638 | 3,027 | - |
| (Decrease) in interfund payable | - | (6,472) | - | (6,472) | - |
| (Decrease) in real estate contract payable | - | (52,000) | - | (52,000) | - |
| Increase in deferred revenue | 5,124 | - | 270 | 5,394 | - |
| Net cash provided by (used by) operating activities | \$ <u>(173,950)</u> | \$ <u>104,382</u> | \$ <u>(10,361)</u> | \$ <u>(79,929)</u> | \$ <u>(76,746)</u> |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$26,087 of federal commodities.

See notes to financial statements.

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2007

| | <u>Private Purpose Trust</u> | |
|-----------------------------|----------------------------------|--------------------|
| | <u>Scholarship</u> | <u>Agency</u> |
| Assets: | | |
| Cash and pooled investments | \$ <u>70,230</u> | \$ <u>100,397</u> |
| Liabilities: | | |
| Other payables | <u>-</u> | <u>100,397</u> |
| Net assets: | | |
| Reserved for scholarships | \$ <u><u>70,230</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, 2007

| | | <u>Private Purpose Trust</u> |
|------------------------------------|--------------|----------------------------------|
| | | <u>Scholarship</u> |
| Additions: | | |
| Local sources: | | |
| Gifts and contributions | \$ 642 | |
| Interest | <u>3,114</u> | |
| Total additions | | <u>3,756</u> |
| Deductions: | | |
| Support services: | | |
| Scholarships awarded | | <u>2,456</u> |
| Change in net assets | | 1,300 |
| Net assets beginning of year | | <u>68,930</u> |
| Net assets end of year | \$ | <u><u>70,230</u></u> |
| See notes to financial statements. | | |

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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, special education pre-kindergarten and a preschool program for three and four year olds. 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 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 attributable to the acquisition, construction, or improvement of those assets.

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

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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 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 expenditures, including instructional, support and other costs.

The Special Revenue, Physical Plant and Equipment Levy Fund is used to account for the payment of capital and related expenditures for building improvements and certain types of equipment.

The District reports the following major proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The Enterprise, Construction and Trades Fund is used to account for the District's student built house program.

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, 2007

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, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2007 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, 2007, 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, 2007

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 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.

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Deferred revenue for proprietary funds and business-type activities consists of unearned meal and preschool revenues.

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, 2007.

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. During the year ended June 30, 2007, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 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.

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 2. Cash and Pooled Investments (continued)

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.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

| | <u>Amortized Cost</u> |
|-----------------------|---------------------------|
| Diversified Portfolio | \$ <u>2,832,267</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, 2007 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|----------------------|-------------------|
| Debt Service | General | \$ 40,057 |
| | Capital Projects | <u>695,000</u> |
| Total | | \$ <u>735,057</u> |

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

Note 4. Interfund Receivables and Payables

At June 30, 2007, the interfund receivables and payables consisted of the following:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|--|-------------------|
| General | Special Revenue - Physical Plant and Equipment Levy | \$ <u>371,100</u> |

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 4. Interfund Receivables and Payables (continued)

The interfund balances are a long-term loan from the General Fund to the Special Revenue, Physical Plant and Equipment Levy Fund to finance land acquisition. This loan will be repaid over six years and includes interest at 4.0% per annum.

These interfund balances are not included on the government-wide Statement of Net Assets.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2007 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 | \$ 521,100 | \$ - | \$ 591,350 |
| Capital assets being depreciated: | | | | |
| Buildings | 8,487,694 | 27,870 | - | 8,515,564 |
| Improvements other than buildings | 548,487 | 79,800 | - | 628,287 |
| Furniture and equipment | 1,617,956 | 380,795 | 85,182 | 1,913,569 |
| Total capital assets being depreciated | <u>10,654,137</u> | <u>488,465</u> | <u>85,182</u> | <u>11,057,420</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 2,082,064 | 179,120 | - | 2,261,184 |
| Improvements other than buildings | 168,546 | 28,817 | - | 197,363 |
| Furniture and equipment | 1,240,908 | 156,940 | 85,182 | 1,312,666 |
| Total accumulated depreciation | <u>3,491,518</u> | <u>364,877</u> | <u>85,182</u> | <u>3,771,213</u> |
| Total capital assets being depreciated, net | <u>7,162,619</u> | <u>123,588</u> | <u>-</u> | <u>7,286,207</u> |
| Governmental activities capital assets, net | <u>\$ 7,232,869</u> | <u>\$ 644,688</u> | <u>\$ -</u> | <u>\$ 7,877,557</u> |

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 5. Capital Assets (continued)

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|--------------------|-------------|---------------------------|
| Business-type activities: | | | | |
| Furniture and equipment | \$ 222,570 | \$ - | \$ - | \$ 222,570 |
| Less accumulated depreciation | 133,647 | 14,515 | - | 148,162 |
| Business-type activities capital assets, net | <u>\$ 88,923</u> | <u>\$ (14,515)</u> | <u>\$ -</u> | <u>\$ 74,408</u> |

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

| | |
|--|-------------------|
| Governmental activities: | |
| Instruction | \$ 10,232 |
| Support services: | |
| Instructional staff | 23,775 |
| Operation and maintenance of plant services | 23,309 |
| Transportation | 84,749 |
| | <u>142,065</u> |
| Unallocated depreciation | <u>222,812</u> |
| Total governmental activities depreciation expense | <u>\$ 364,877</u> |
| Business-type activities: | |
| Food service operations | <u>\$ 14,515</u> |

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 6. Long-Term Liabilities

A summary of changes in governmental activities long-term liabilities for the year ended June 30, 2007 is as follows:

| | Early Retirement | General Obligation Bonds | Technology Loan Notes | Total |
|---------------------------|---------------------|--------------------------------|--------------------------|---------------------|
| Balance beginning of year | \$ 58,105 | \$ 3,190,000 | \$ - | \$ 3,248,105 |
| Additions | - | - | 94,000 | 94,000 |
| Reductions | - | 1,000,000 | 37,600 | 1,037,600 |
| Balance end of year | <u>\$ 58,105</u> | <u>\$ 2,190,000</u> | <u>\$ 56,400</u> | <u>\$ 2,304,505</u> |
| Due within one year | <u>\$ 19,368</u> | <u>\$ 320,000</u> | <u>\$ 18,800</u> | <u>\$ 358,168</u> |

Early Retirement

The District previously offered a voluntary early retirement plan to its certified employees. The plan was not offered in the fiscal year ended June 30, 2007. Under the plan, eligible employees had to be at least age fifty-five and employees had to have completed fifteen years of continuous service to the District. Employees had to complete an application which was 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, 2007, the District has obligations to four participants with a total liability of \$58,105. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$22,480. 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, 2007

Note 6. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|-------------------|---------------------|
| 2008 | \$ 320,000 | \$ 113,222 | \$ 433,222 |
| 2009 | 340,000 | 97,222 | 437,222 |
| 2010 | 355,000 | 79,882 | 434,882 |
| 2011 | 375,000 | 61,688 | 436,688 |
| 2012 | 395,000 | 42,000 | 437,000 |
| 2013 | 405,000 | 21,262 | 426,262 |
| | <u>\$ 2,190,000</u> | <u>\$ 415,276</u> | <u>\$ 2,605,276</u> |

During the year ended June 30, 2007, the District retired \$1,000,000 of bonds.

Technology Loan Notes

Details of the District's June 30, 2007 technology loan note indebtedness are as follows:

| Year Ending June 30, | Interest Rates | Principal | Interest | Total |
|-------------------------|-------------------|------------------|-----------------|------------------|
| 2008 | 3.99 % | \$ 18,800 | \$ 2,068 | \$ 20,868 |
| 2009 | 3.99 | 18,800 | 1,313 | 20,113 |
| 2010 | 3.99 | 18,800 | 408 | 19,208 |
| | | <u>\$ 56,400</u> | <u>\$ 3,789</u> | <u>\$ 60,189</u> |

During the year ended June 30, 2007, the District issued \$94,000 and retired \$37,600 of notes.

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 6. Long-Term Liabilities (continued)

Technology Loan Notes (continued)

A summary of changes in business-type activities long-term liabilities for the year ended June 30, 2007 is as follows:

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

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 for the years ended June 30, 2007, 2006, and 2005.

Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$420,167, \$397,538, and \$365,971, 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.

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 \$432,227 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

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Required Supplementary Information

ANAMOSA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances –
 Budget and Actual – All Governmental Funds
 and Proprietary Funds
 Required Supplementary Information
 Year Ended June 30, 2007

| | Governmental Funds - Actual | Proprietary Funds - Enterprise - Actual | Total Actual | Budgeted Amounts | | Final to Actual Variance |
|---|-----------------------------------|--|---------------------|-------------------|---------------------|--------------------------------|
| | | | | Original | Final | |
| REVENUES: | | | | | | |
| Local sources | \$ 5,896,659 | \$ 675,072 | \$ 6,571,731 | \$ 5,789,743 | \$ 5,789,743 | \$ 781,988 |
| State sources | 6,625,602 | 14,152 | 6,639,754 | 6,539,140 | 6,539,140 | 100,614 |
| Federal sources | 867,161 | 202,865 | 1,070,026 | 1,150,658 | 1,150,658 | (80,632) |
| Total revenues | 13,389,422 | 892,089 | 14,281,511 | 13,479,541 | 13,479,541 | 801,970 |
| EXPENDITURES: | | | | | | |
| Instruction | 7,960,603 | 18,194 | 7,978,797 | 8,061,280 | 8,200,000 | 221,203 |
| Support services | 3,909,308 | 107,693 | 4,017,001 | 4,959,959 | 4,959,959 | 942,958 |
| Non-instructional programs | - | 773,223 | 773,223 | 248,570 | 671,380 | (101,843) |
| Other expenditures | 2,296,665 | - | 2,296,665 | 1,620,588 | 2,225,000 | (71,665) |
| Total expenditures | 14,166,576 | 899,110 | 15,065,686 | 14,890,397 | 16,056,339 | 990,653 |
| Excess (deficiency) of revenues over (under) expenditures | (777,154) | (7,021) | (784,175) | (1,410,856) | (2,576,798) | 1,792,623 |
| Other financing sources, net | 96,247 | - | 96,247 | - | - | 96,247 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures | (680,907) | (7,021) | (687,928) | (1,410,856) | (2,576,798) | 1,888,870 |
| Balance beginning of year | 3,275,091 | 131,621 | 3,406,712 | 2,183,846 | 2,183,846 | 1,222,866 |
| Balance end of year | <u>\$ 2,594,184</u> | <u>\$ 124,600</u> | <u>\$ 2,718,784</u> | <u>\$ 772,990</u> | <u>\$ (392,952)</u> | <u>\$ 3,111,736</u> |

See accompanying independent auditor's report.

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2007

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.

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 function 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 \$1,165,942.

During the year ended June 30, 2007, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

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Other Supplementary Information

ANAMOSA COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

| | <u>Special Revenue</u> | | | | |
|-----------------------------------|----------------------------|-----------------------------|-------------------------|-----------------------------|---------------------|
| | <u>Management Levy</u> | <u>Student Activity</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Total</u> |
| Assets | | | | | |
| Cash and pooled investments | \$ 44,797 | \$ 91,610 | \$ 33,674 | \$ 174,419 | \$ 344,500 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Current year | 2,639 | - | 7,252 | - | 9,891 |
| Succeeding year | 190,700 | - | 433,222 | - | 623,922 |
| Accounts | - | 495 | - | - | 495 |
| Due from other governments | - | - | | 230,808 | 230,808 |
| | <hr/> | | | | |
| Total assets | <u>\$ 238,136</u> | <u>\$ 92,105</u> | <u>\$ 474,148</u> | <u>\$ 405,227</u> | <u>\$ 1,209,616</u> |
| Liabilities and Fund Equity | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | \$ 14,848 | \$ 150 | \$ 66,625 | \$ 81,623 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 190,700 | - | 433,222 | - | 623,922 |
| Total liabilities | <u>190,700</u> | <u>14,848</u> | <u>433,372</u> | <u>66,625</u> | <u>705,545</u> |
| Fund equity: | | | | | |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Debt service | - | - | 40,776 | - | 40,776 |
| Unreserved: | | | | | |
| Undesignated | 47,436 | 77,257 | - | 338,602 | 463,295 |
| Total fund equity | <u>47,436</u> | <u>77,257</u> | <u>40,776</u> | <u>338,602</u> | <u>504,071</u> |
| | <hr/> | | | | |
| Total liabilities and fund equity | <u>\$ 238,136</u> | <u>\$ 92,105</u> | <u>\$ 474,148</u> | <u>\$ 405,227</u> | <u>\$ 1,209,616</u> |

See accompanying independent auditor's report.

ANAMOSA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2007

| | Special Revenue | | | | Total |
|--|--------------------|---------------------|------------------|---------------------|------------------|
| | Management Levy | Student Activity | Debt Service | Capital Projects | |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 180,992 | \$ - | \$ 472,180 | \$ 757,404 | \$ 1,410,576 |
| Other | 8,106 | 391,002 | 1,008 | 1,990 | 402,106 |
| State sources | 186 | - | 464 | - | 650 |
| Total revenues | <u>189,284</u> | <u>391,002</u> | <u>473,652</u> | <u>759,394</u> | <u>1,813,332</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction | 53,898 | 402,160 | - | - | 456,058 |
| Support services: | | | | | |
| Operation and maintenance of plant services | 73,147 | - | - | - | 73,147 |
| Transportation services | 32,962 | - | - | - | 32,962 |
| Other expenditures: | | | | | |
| Facilities acquisition | - | - | - | 80,100 | 80,100 |
| Long term debt: | | | | | |
| Principal | - | - | 1,037,600 | - | 1,037,600 |
| Interest and fiscal charges | - | - | 158,507 | - | 158,507 |
| Total expenditures | <u>160,007</u> | <u>402,160</u> | <u>1,196,107</u> | <u>80,100</u> | <u>1,838,374</u> |
| Excess (deficiency) of revenues over (under) expenditures | 29,277 | (11,158) | (722,455) | 679,294 | (25,042) |
| Other financing sources (uses): | | | | | |
| Interfund transfers in | - | - | 735,057 | - | 735,057 |
| Interfund transfers out | - | - | - | (695,000) | (695,000) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>735,057</u> | <u>(695,000)</u> | <u>40,057</u> |

ANAMOSA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2007

| | Special Revenue | | Debt Service | Capital Projects | Total |
|---------------------------------|--------------------|---------------------|------------------|---------------------|-------------------|
| | Management Levy | Student Activity | | | |
| Net change in fund balances | \$ 29,277 | \$ (11,158) | \$ 12,602 | \$ (15,706) | \$ 15,015 |
| Fund balances beginning of year | 18,159 | 88,415 | 28,174 | 354,308 | 489,056 |
| Fund balances end of year | <u>\$ 47,436</u> | <u>\$ 77,257</u> | <u>\$ 40,776</u> | <u>\$ 338,602</u> | <u>\$ 504,071</u> |

See accompanying independent auditor's report.

ANAMOSA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2007

| Account | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|---------------------------------|---------------------------------|-----------|--------------|---------------------------|
| Annual | \$ 4,551 | \$ 19,561 | \$ 19,728 | \$ 4,384 |
| Middle School Student Council | 7,159 | 32,484 | 33,492 | 6,151 |
| Class of: | | | | |
| 2005 | 369 | - | 369 | - |
| 2006 | (813) | 369 | - | (444) |
| 2007 | 864 | 4,102 | 5,583 | (617) |
| 2008 | (88) | 4,252 | 2,905 | 1,259 |
| Drama Club | (1,254) | 4,631 | 2,114 | 1,263 |
| Spanish Club | 740 | 58 | - | 798 |
| French Club | 1,411 | 5,550 | 2,168 | 4,793 |
| Interact Club | 2,173 | 635 | 250 | 2,558 |
| High School Art Club | 910 | 3,929 | 3,156 | 1,683 |
| Cheerleading Resale | 1,320 | 37,910 | 36,294 | 2,936 |
| Future Farmers of America | 4,366 | 51,475 | 49,672 | 6,169 |
| Instrumental Music | 1,344 | 2,398 | 4,335 | (593) |
| MS Instrumental Music | - | 13,366 | 12,672 | 694 |
| General Athletics | (5,113) | 15,964 | 20,464 | (9,613) |
| Middle School Concessions | 5,572 | 12,184 | 9,374 | 8,382 |
| Dance Squad | 700 | 18,387 | 22,198 | (3,111) |
| Football | 5,627 | 33,356 | 37,593 | 1,390 |
| Boys Soccer | 1,275 | 3,167 | 4,290 | 152 |
| Girls Soccer | (1,064) | 1,142 | 1,248 | (1,170) |
| Baseball | 1,198 | 7,636 | 7,096 | 1,738 |
| Softball | (1,081) | 6,955 | 8,361 | (2,487) |
| Girls Track | 665 | 3,009 | 3,006 | 668 |
| Boys Track | 523 | 4,042 | 2,465 | 2,100 |
| Boys Golf | (164) | 2,073 | 2,642 | (733) |
| Wrestling | 1,326 | 5,049 | 6,452 | (77) |
| Cross Country | 264 | 1,829 | 1,311 | 782 |
| Girls Golf | 807 | 1,091 | 2,372 | (474) |
| Volleyball | 2,666 | 5,013 | 6,210 | 1,469 |
| Girls Basketball | 520 | 10,182 | 9,910 | 792 |
| Boys Basketball | 1,011 | 10,979 | 11,295 | 695 |
| Vocal Music | 2,991 | 6,396 | 7,582 | 1,805 |
| Musicals | 5,094 | 2,164 | 5,378 | 1,880 |
| Strawberry Hill - Miscellaneous | 32,541 | 34,639 | 32,938 | 34,242 |
| Strawberry Hill Service Project | 27 | - | - | 27 |
| Science Club | 364 | - | - | 364 |
| ELP/SCI Store | 1,136 | 660 | 140 | 1,656 |
| Trapshoot Club | 63 | - | - | 63 |

ANAMOSA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2007

| Account | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|-----------------|---------------------------------|----------------|----------------|---------------------------|
| Parent Partner | \$ 25 | \$ - | \$ - | 25 |
| Vending Machine | 7,581 | 22,321 | 24,856 | 5,046 |
| Veterans Day | 576 | 1,257 | 1,351 | 482 |
| NHS Fundraiser | 233 | 787 | 890 | 130 |
| Total | \$ 88,415 | \$ 391,002 | \$ 402,160 | \$ 77,257 |

See accompanying independent auditor's report.

ANAMOSA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2007

| | <u>Empowerment Fund</u> |
|---|-----------------------------|
| Assets and Liabilities | |
| Balances beginning of year | \$ <u>43,377</u> |
| Additions: | |
| Early Childhood Program | 25,670 |
| School Ready Children | 248,434 |
| Quality Child Care Improvement Initiative | 46,250 |
| Interest | <u>938</u> |
| Total additions | <u>321,292</u> |
| Deductions: | |
| Agency remittances: | |
| Trusts paid out | <u>264,272</u> |
| Balances end of year | \$ <u><u>100,397</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, | | | |
| | 2007 | 2006 | 2005 | 2004 |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 4,512,425 | \$ 4,335,162 | \$ 4,167,435 | \$ 3,944,130 |
| Tuition | 651,467 | 537,216 | 491,171 | 486,184 |
| Other | 732,767 | 630,334 | 496,660 | 609,901 |
| State sources | 6,625,602 | 6,324,145 | 5,920,355 | 5,517,064 |
| Federal sources | 867,161 | 927,975 | 862,619 | 440,649 |
| Total revenues | <u>\$ 13,389,422</u> | <u>\$ 12,754,832</u> | <u>\$ 11,938,240</u> | <u>\$ 10,997,928</u> |
| Expenditures: | | | | |
| Instruction | \$ 7,960,603 | \$ 7,359,279 | \$ 6,731,909 | \$ 6,673,452 |
| Support services: | | | | |
| Student services | 757,234 | 830,925 | 675,119 | 397,562 |
| Instructional staff services | 559,333 | 398,139 | 347,346 | 290,063 |
| Administration services | 1,025,053 | 920,025 | 816,421 | 812,152 |
| Operation and maintenance of plant services | 869,900 | 883,972 | 740,929 | 709,186 |
| Transportation services | 697,788 | 596,839 | 540,503 | 517,910 |
| Central and other support services | - | - | - | 4,722 |
| Non-instructional programs | - | - | 28,781 | 33,871 |
| Other expenditures: | | | | |
| Facilities acquisition | 668,331 | 197,203 | 140,819 | 234,161 |
| Long-term debt: | | | | |
| Principal | 1,037,600 | 1,000,000 | 304,000 | 302,000 |
| Interest and fiscal charges | 158,507 | 216,741 | 231,535 | 246,590 |
| AEA flowthrough | 432,227 | 403,084 | 378,516 | 365,005 |
| Total expenditures | <u>\$ 14,166,576</u> | <u>\$ 12,806,207</u> | <u>\$ 10,935,878</u> | <u>\$ 10,586,674</u> |

See accompanying independent auditor's report.

ANAMOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

| Grantor / Program | CFDA Number | Grant Number | Expenditures |
|---|----------------|-----------------|--------------------------|
| Direct: | | | |
| U. S. Department of Education: Safe and Drug-Free Schools and Communities - National Programs | 84.184 | FY 07 | \$ <u>456,734</u> |
| Indirect: | | | |
| U. S. Department of Agriculture: Iowa Department of Education: Food Donation (non-cash) | 10.550 | FY 07 | <u>26,087</u> |
| School Nutrition Cluster Programs: School Breakfast Program | 10.553 | FY 07 | 19,497 |
| National School Lunch Program | 10.555 | FY 07 | <u>157,281</u> |
| | | | <u>176,778</u> |
| U. S. Department of Education: Iowa Department of Education: Title 1 Grants to Local Educational Agencies | 84.010 | 0234G | <u>138,989</u> |
| Special Education - Grants to States | 84.027 | FY 07 | <u>338</u> |
| Grants for State Assessments and Related Activities | 84.369 | FY 07 | <u>9,023</u> |
| Improving Teacher Quality State Grants | 84.367 | FY 07 | <u>51,766</u> |
| State Grants for Innovative Programs | 84.298 | FY 07 | <u>1,824</u> |
| Safe and Drug-Free Schools and Communities - State Grants | 84.186 | FY 07 | <u>9,450</u> |
| West Delaware County: Medical Assistance Program | 93.778 | FY 07 | <u>4,382</u> |
| Grant Wood Area Education Agency: Special Education - Grants to States | 84.027 | FY 07 | <u>79,520</u> |
| Vocational Education - Basic Grants to States | 84.048 | FY 07 | <u>12,306</u> |
| Education Technology State Grants | 84.318 | FY 07 | <u>255</u> |
| Total | | | \$ <u><u>967,452</u></u> |

ANAMOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

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 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, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Anamosa Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Anamosa Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Anamosa Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Anamosa Community School District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Anamosa Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 is a material weakness.

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, 2007 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.

Anamosa Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Anamosa Community School District's responses and, accordingly, we express no opinion on them.

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
December 13, 2007

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, 2007. 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 auditing standards generally accepted in the United States of America, 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, 2007.

Internal Control Over Compliance

The management of Anamosa Community School District is responsible for establishing and maintaining effective internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in a District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We noted no matters involving the internal control over compliance and its operations 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
December 13, 2007

ANAMOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, which was considered to be a material weakness.
- (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 Community – National Programs
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Anamosa Community School District qualified as a low-risk auditee.

ANAMOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

II-A-07 Financial Reporting – During the audit, we identified material amounts of receivables misstated in the District’s financial statements. Adjustments were subsequently made by the District to properly record these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables are correctly recorded and included in the District’s financial statements.

Response – We will double check these in the future to properly record all receivables.

Conclusion – Response accepted.

ANAMOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

No matters were reported.

ANAMOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

Part IV: Other Findings Related to Statutory Reporting:

IV-A-07 Certified Budget – Expenditures for the year ended June 30, 2007, exceeded the amounts budgeted in the non-instructional programs and other expenditures functions.

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

Response – We will amend our budget before expenditures exceed the budget.

Conclusion – Response accepted.

IV-B-07 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-07 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-07 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|--|----------------------------|---------|
| Connie McKean, Board Member | Substitute Teacher | \$1,800 |

In accordance with Chapter 279.7A of the Code of Iowa, the transaction does not appear to represent a conflict of interest.

IV-E-07 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-07 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-07 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2006 was overstated. The District’s certified enrollment count included 75 non-resident students in line 1 which were also included in lines 8 and 9 as open enrolled in and tuitioned in nonresident students. This resulted in overstating the total actual enrollment at line 7 by 75 students.

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

Response – We will contact the Iowa Department of Education and the Department of Management. We have also changed our procedures for recording certified enrollment, which should prevent this from happening again.

Conclusion – Response accepted.

ANAMOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

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

- IV-H-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-I-07 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.
- IV-J-07 Financial Condition – At June 30, 2007, the Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund had a negative fund balance of \$316,544 and the nonmajor Enterprise, Preschool Fund had negative net assets of \$3,371. In addition, the Special Revenue, Student Activity Fund had several deficit balances within the group of single activity accounts.

Recommendation – The District needs to explore alternatives to restore the PPEL and Preschool Funds to a sound financial condition. The District also needs to monitor the Student Activity accounts more closely and investigate alternatives to eliminate the deficit balances.

Response – The PPEL Fund deficit is due to a long-term interfund loan to purchase land and will be eliminated as the loan is repaid. We will also investigate solutions to eliminate the Preschool Fund deficit and the Student Activity deficit balances.

Conclusion – Response accepted.