

ANAMOSA COMMUNITY SCHOOL DISTRICT  
ANAMOSA, IOWA

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

JUNE 30, 2008

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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 2007 Election)		
Jim Mitchel	President	2007
Sharon Weideman	Vice President	(Resigned Sept. 17, 2007)
LeAnn Ridgeway	Board Member	2009
Connie McKean	Board Member	2009
Julie Von Muenster	Board Member	(Resigned Sept. 17, 2007)
Julie Fall	Board Member	(Resigned Sept. 17, 2007)
Brian Darrow	Board Member	2008

Board of Education

(After September 2007 Election)

Brian Darrow	President	2008
Connie McKean	Vice President	2009
Rich Crump	Board Member	(Elected Nov. 20, 2007) 2008
LeAnn Ridgeway	Board Member	2009
Lowell Tiedt	Board Member	(Elected Nov. 20, 2007) 2009
Anna Mary Riniker	Board Member	(Elected Nov. 20, 2007) 2011
Brian Bieber	Board Member	2011

School Officials

Dale Monroe	Superintendent	2009
Don L. Folkerts	District Secretary	2008
Linda Von Behren	District Treasurer	2008
Brian Gruhn	Attorney	2008
Adrian Knuth Law Firm	Attorney	2008

## 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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the District's officials. 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, 2008, 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 16, 2008 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, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in 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 16, 2008

## 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, 2008. Please consider this information in conjunction with the District's financial statements, which follow this section.

### Financial Highlights

- The District was awarded the state-wide voluntary 4 year old preschool grant. This provided approximately \$205,000 for the 4 year- old preschool program.
- The 2006-2007 audit conducted in August 2007 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 and an overstatement of revenues of \$401,250. On December 19, 2007, the School Budget Review Committee approved spreading the auditor's adjustment over a five-year period.
- The District designated \$250,000 from the general fund balance for the purposes of technology, curriculum, and professional development for the 2007-2008 year.
- Effective August 1, 2007, day care programs previously run by the Anamosa Community Hospital were transferred to the Anamosa Community School District. The transfer included all furniture, equipment, and supplies used in the programs. The day care programs include 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 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 \$860,000 in bonds during fiscal year 2008. The bonds otherwise had maturity dates of 2011, 2012, and 2013.
- Fuel prices increased to unprecedented levels during the year. The District expended 38.6%, or \$28,189, more than FY '07 and \$34,594 or 52% more than in FY '06.
- Interest rates declined during the year, resulting in a decrease in interest revenues of \$39,371 or 25.4% from the previous 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.

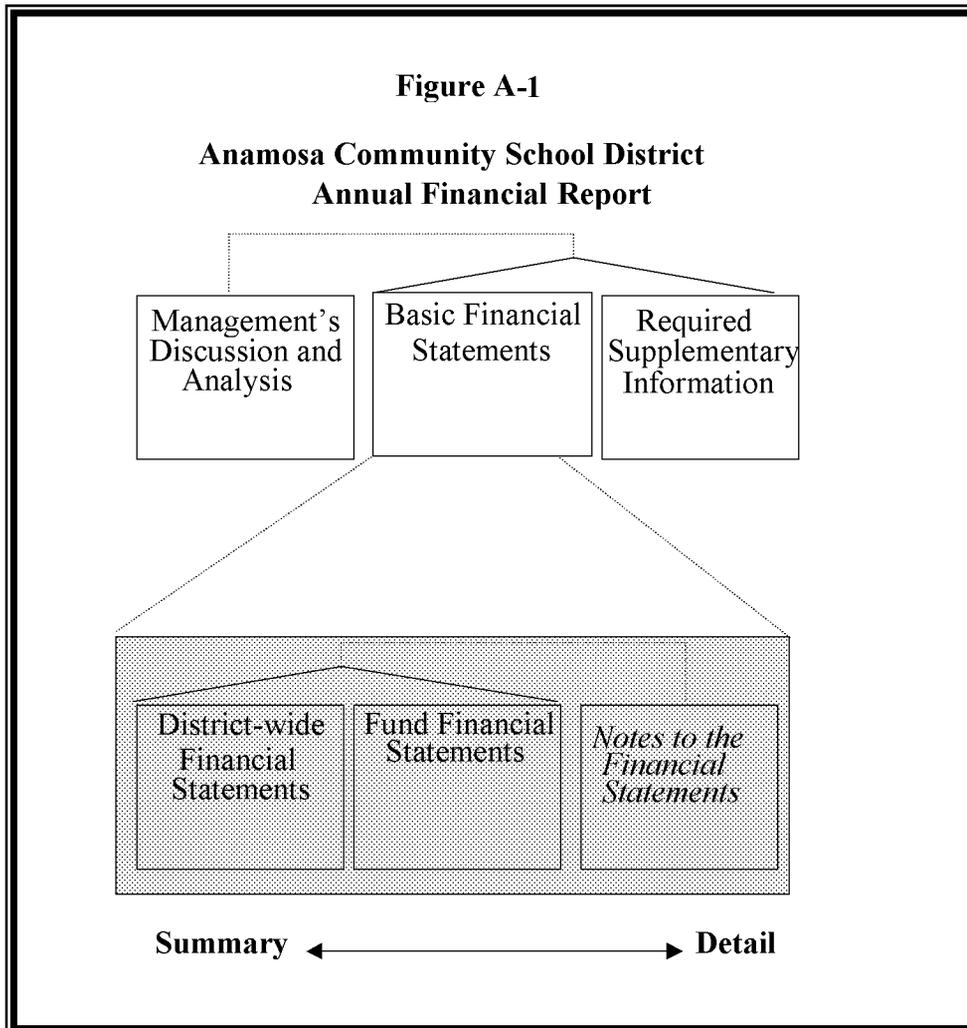


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

<b>Figure A-2: Major Features of the District Wide and Fund Financial Statements</b>				
	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, day care 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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses, and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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, day care, construction trades, and preschool programs 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 four enterprise funds, the School Nutrition Fund, the Construction Trades Fund, the Three-Year Old Preschool Fund and the Day Care Fund, consisting of Rainbow Day Care and Kids Quest.
- *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, 2008 compared to June 30, 2007.

**Figure A-3**

**Condensed Statement of Net Assets**

	Governmental Activities		Business Type Activities		Total School District	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
	Current and other assets	\$ 7,984,199	\$ 8,233,011	\$ 86,484	\$ 170,344	\$ 8,070,683
Capital assets	<u>7,877,557</u>	<u>7,612,135</u>	<u>74,408</u>	<u>60,754</u>	<u>7,951,965</u>	<u>7,672,899</u>
Total assets	<u>\$15,861,756</u>	<u>\$15,845,146</u>	<u>\$160,892</u>	<u>\$231,098</u>	<u>\$16,022,648</u>	<u>\$16,076,244</u>
Long-term obligations	\$2,304,505	\$ 1,086,337	\$ 0	\$ 18,995	\$2,304,505	\$ 1,105,332
Other liabilities	<u>5,077,637</u>	<u>5,466,293</u>	<u>36,292</u>	<u>117,243</u>	<u>5,113,929</u>	<u>5,583,536</u>
Total liabilities	<u>\$7,382,142</u>	<u>\$ 6,552,630</u>	<u>\$36,292</u>	<u>\$136,238</u>	<u>\$7,418,434</u>	<u>\$ 6,688,868</u>
Net assets						
Invested in capital assets, net of related debt	\$5,631,157	\$ 6,564,535	\$74,408	\$60,754	\$5,705,565	\$6,625,289
Restricted	742,517	657,173	-	-	742,517	657,173
Unrestricted	<u>2,105,940</u>	<u>2,070,808</u>	<u>50,192</u>	<u>34,106</u>	<u>2,156,132</u>	<u>\$2,104,914</u>
<b>Total net assets</b>	<u>\$8,479,614</u>	<u>\$ 9,292,516</u>	<u>\$124,600</u>	<u>\$94,860</u>	<u>\$8,604,214</u>	<u>\$9,387,376</u>

Net assets from governmental activities increased by \$812,902 in FY '08. This is primarily due to retiring principal on the District's long term debt using SILO funds faster than its capital assets are decreasing in value. The net assets of the District's business-type activities decreased \$29,740. This is primarily due to two factors, the decrease in value of capital assets for these funds and the increase in long-term compensated absences attributed to the transition of the Day Care staff. (See Figure A-4)

**Figure A-4**

**Changes in Net Assets from Operating Results**

	Governmental Activities		Business-type Activities		Total School District	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 1,240,304	\$1,416,833	\$674,746	\$683,248	\$1,915,050	\$ 2,100,081
Operating Grants & Contributions	1,753,128	2,077,901	217,017	298,500	1,970,145	2,376,401
Capital Grants & Contributions	-	-	-	-	-	-
General revenues						
Property taxes	3,435,526	3,577,119	-	-	3,435,526	3,577,119
Other taxes	1,099,095	1,210,097	-	-	1,099,095	1,210,097
Unrestricted Grants/Entitlements & interest	5,824,326	6,318,847	326	1,034	5,824,652	6,319,881
<b>Total revenues</b>	<b>\$ 13,352,379</b>	<b>\$14,600,797</b>	<b>\$892,089</b>	<b>\$982,782</b>	<b>\$14,244,468</b>	<b>\$15,583,579</b>
<b>Expenses</b>						
Instruction	\$ 7,974,416	\$8,719,709	\$18,194	6,202	\$ 7,992,610	\$ 8,725,911
Support Services	3,684,895	4,189,132	-	8,100	3,792,588	4,197,232
Debt Service, interest on long-term debt	154,396	97,687	-	-	154,396	97,687
Other	681,972	781,367	773,223	998,220	1,455,195	1,779,587
<b>Total expenses</b>	<b>\$ 12,495,679</b>	<b>\$13,787,895</b>	<b>\$899,110</b>	<b>\$1,012,522</b>	<b>\$13,394,789</b>	<b>\$14,800,417</b>
Change in net assets	\$ <u>856,700</u>	<u>\$812,902</u>	<u>\$ (7,021)</u>	<u>\$ (29,740)</u>	<u>\$849,679</u>	<u>\$783,162</u>

Figure A-5 shows the sources of revenues of governmental activities for fiscal year 2008. State Aid made up 42.1% of total revenues, a slight decrease from 42.2% the previous year. Property Taxes made up 24.5% of revenues, down from 25.7% last year. Federal & State categorical grants made up 14.2% of the revenues, up from 13.1% last year. Charges for services as a percentage of total revenues increased from 9.3% to 9.7%. Other taxes, which consist of SILO and Income Surtax, made up 8.3% of governmental revenues, up slightly from 8.2% last year. Investment earnings made up 1.2% of total revenues.

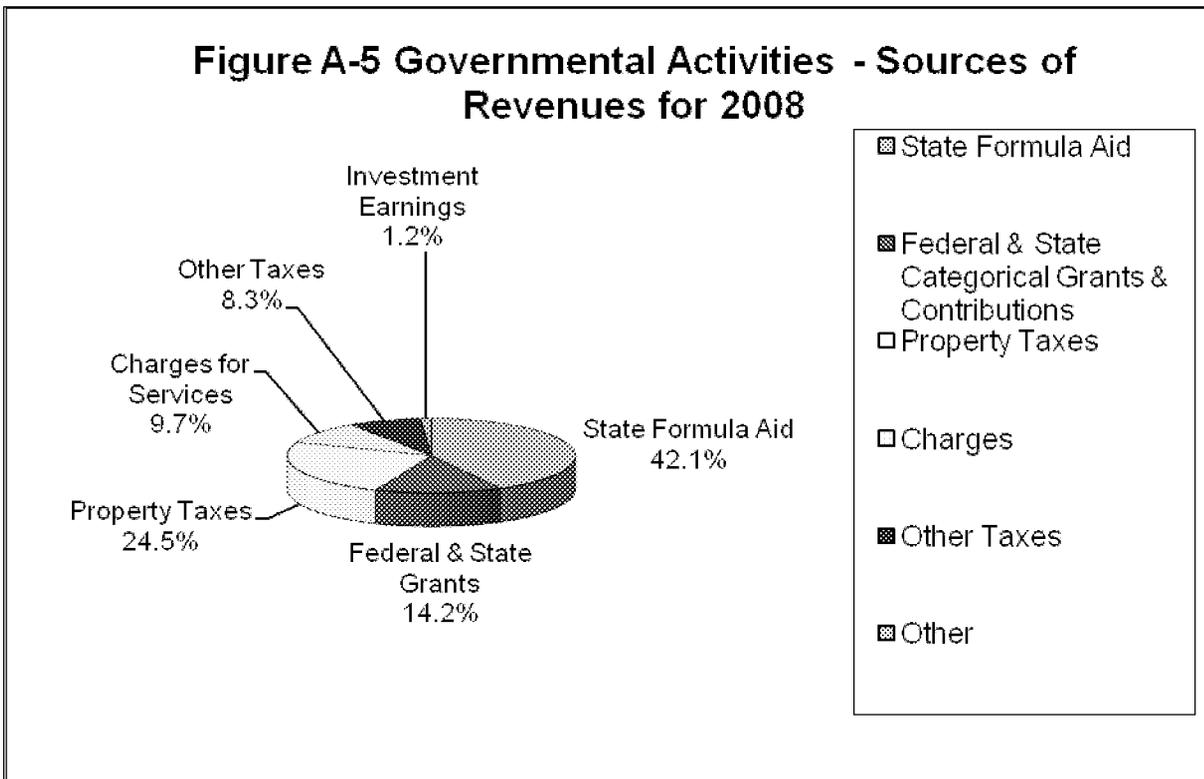


Figure A-6 illustrates the expenses of the District's governmental activities divided into seven categories and presents them as a percent of all governmental activities expenses. Instructional expenses made up 63.3% of all governmental activities expenses. This is down from 63.8% in 2007. Pupil and Instructional Support, which includes media, guidance, and technology support, made up 9.8% of all expenses. Administration represented 8.1% of all expenses, down slightly from 8.2%. Maintenance and Transportation accounted for 6.9% and 5.5% respectively of all expenses. Transportation increased as a percent of total expenses from 4.9% last year. Debt Service accounted for .7%, down from 1.2%. All Other was 5.7% of total expenses.

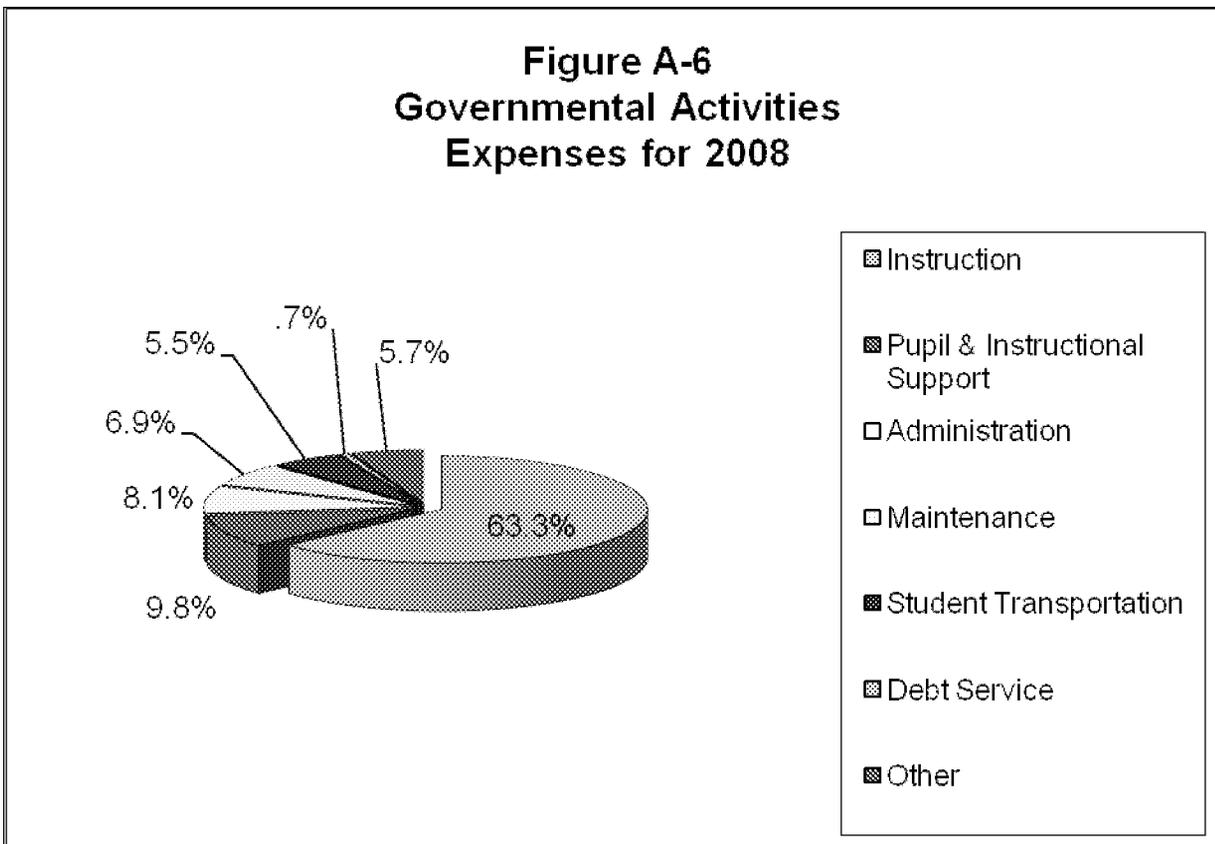


Figure A-7 presents the cost of four major district activities: instruction, support services including maintenance and transportation, debt service, and other. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific 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>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Instruction	\$ 7,974,416	\$ 8,719,709	\$ 5,967,132	\$ 6,154,288
Support Services	3,684,895	4,189,132	3,130,974	3,744,327
Debt Service	154,396	97,687	154,396	97,687
Other	<u>681,972</u>	<u>781,367</u>	<u>249,745</u>	<u>296,859</u>
<b>Total</b>	<b>\$12,495,679</b>	<b>\$13,787,895</b>	<b>\$ 9,502,247</b>	<b>\$10,293,161</b>

- The cost of all governmental activities for FY '08 was \$13,787,895, an increase of 10.3% from FY '07.
- Some of the cost was financed by the users of the District's programs (see Figure A-4)
- The federal and state governments subsidized certain programs with grants and contributions in the amount of \$2,077,901, and charges for district services financed \$1,416,833.
- Most of the District's costs (\$10,293,161), however, were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$3,577,119 in property taxes, \$6,142,034 of unrestricted state aid based on the statewide finance formula, and investment earnings.

**Business-Type Activities**

Program revenues of the District's business-type activities increased to \$982,782 from \$892,089, an increase of \$90,693. This increase can be attributed to the addition of the Day Care program in August 2007. The revenues did not increase to the extent of total day care revenues due to the fact the student-built home from FY '08 had not been sold by year-end whereas revenues in FY '07 included the proceeds from two student-built homes. Expenses for business-type activities increased to \$1,012,522 from \$899,110. The majority of this increase is attributed to the addition of the day care program. (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 \$2,415,000. This is down from a combined governmental fund balance of approximately \$2,594,000 at June 30, 2007. The general fund balance decreased by \$183,701, largely due to the use of board-designated unexpended funds.

### **Governmental Fund Highlights**

- The General Fund balance decreased by 7.4% from approximately \$2,400,000 to approximately \$2,223,000. 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 12.7% or \$43,097. 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 increased by 5.3% or \$16,745. Some items and projects funded from PPEL during fiscal year 2008 included: asbestos removal at the elementary at a cost of \$21,650, architect fees in the pre-design stage for a new middle school or high school totaling \$26,488, fire safety improvements to buildings for \$46,050, a new high school phone system at a cost of \$20,504, district sidewalk replacement for \$13,174, the replacement of a section of windows at the elementary for \$16,690, a new scoreboard for the football stadium and new volleyball standards at a combined cost of \$13,055, among other items.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased by \$51,643 from last year to \$69,828 at June 30, 2008. This was primarily due to an increase in expenses, including an increase in food costs and personnel costs.

The Construction Trades Fund experienced a decrease in net assets of \$2,148 from the previous year. The home built in 2007-2008 remains in inventory at June 30, 2008.

The Preschool Fund net assets increased by \$3,523 since June 30, 2007. To the extent costs exceed revenues, costs for this program are 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 and to include the Statewide Preschool Grant. The amendment also increased the Non-instructional Programs function to include the addition of the Day Care program that was transferred to the District from the local hospital. The Total Other Expenditures function was also amended to allow for the calling of more bonds than originally budgeted.

With the amendment of the budget, none of the function areas exceeded the certified budget. 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 \$1,087,269 more than budgeted, a variance of 7.5%. This is due to several reasons. The state-wide preschool grant was awarded after the budget was certified, a difference of \$204,787. SILO revenues were \$268,821 more than budgeted. Plans for transferring Rainbow Daycare and Kids Quest to the District were finalized after the budget was certified. These revenues, totaling \$331,984, were therefore not included in the certified budget. General Fund revenues, exclusive of the preschool grant, exceeded budgeted revenues by \$280,618 or 2.3%. This was primarily due to tuition revenues being greater than estimated.

Total expenditures were less than the budgeted amount by 7.6% 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, 2008, the District had invested approximately \$7.6 million in a broad range of assets, including school buildings, athletic facilities, transportation, and technology equipment. (See Figure A-8) This is a net decrease of \$265,422 from last year. The decrease is attributed to depreciation outpacing capital purchases during the year. Building capital improvements for the year included fire safety improvements at each of the school buildings at a total cost of \$40,662. Equipment additions for the year included the purchase of two used buses at a total cost of \$8,000, a high school phone system for \$20,504, a new scoreboard at the football field for \$10,051, a van for athletics, volleyball standards and visitor bleachers. Site improvements consisted of irrigation for the practice field at a cost of \$4,211, retaining wall removal at the middle school for \$5,840 and sidewalk replacement at the middle school for \$7,334. **(More detailed information about capital assets can be found in Note 5 to the financial statements.)** Depreciation expense for the year was \$396,832 for governmental activities.

**Figure A-8**

**Capital Assets (net of depreciation)**

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2007-2008
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	
Land	\$591,350	\$591,350	\$ -	\$ -	\$591,350	\$ 591,350	0.0%
Land Improvements	430,924	418,013			430,924	418,013	-3.0%
Buildings	6,254,380	6,129,555	-	-	6,254,380	6,129,555	-2.0%
Equipment & Furniture	<u>600,903</u>	<u>473,217</u>	<u>74,408</u>	<u>60,754</u>	<u>675,311</u>	<u>533,971</u>	-20.9%
	<b>\$ 7,877,557</b>	<b>\$7,612,135</b>	<b>\$74,408</b>	<b>\$60,754</b>	<b>\$7,951,965</b>	<b>\$7,672,889</b>	-3.5%

## Long-Term Debt

At year-end, the District had \$1,010,000 in general obligation bonds outstanding. This is a decrease of \$1,180,000 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 \$860,000 of bonds using SILO funds. By calling the bonds as

SILO funds become available, the District will save at least \$821,000 in interest costs on these obligations.

**Figure A-9**

**Outstanding Long-Term Liabilities**

	Total School District		Total Percentage Change
	<u>2007</u>	<u>2008</u>	<u>2007-2008</u>
Early retirement	\$ 58,105	\$ 38,737	-33.3%
General obligation bonds & notes (financed with property taxes)	2,190,000	1,010,000	-53.9%
Notes Payable	<u>56,400</u>	<u>- 37,600</u>	-33.3%
<b>Total</b>	<b>\$2,304,505</b>	<b>\$1,086,337</b>	<b>-52.9%</b>

## 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:

- On June 13, 2008, severe flooding from the Wapsipinicon River and its tributaries breached the city levy and city sewer plant flooding the athletic complex in 8 feet of flood water and raw sewage. Many of the storage buildings and concession stands were total losses. The District has worked with FEMA to recover as much funding as possible to cover the losses. Losses totaling \$203,375 have been identified, with \$186,091 considered eligible for aid. The federal share of these projects is \$167,482. The District will be covering the excess of these losses.
- An error in the October 2006 certified enrollment, which caused an overstatement of revenues of \$401,250, was not discovered until August 2007. By this date, staffing, salary, and spending decisions had been made for 2007-2008 based on the inflated revenues. Although the auditor's adjustment is being spread over five years, expenditures will need to be adjusted to reflect this adjustment in revenues.

- The Board of Directors of the District has designated \$175,000 of general fund balance for the purposes of professional development, technology, and curriculum and \$76,698 to fund the reduction of the regular program budget for 2008-09.
- Certified teaching staff, represented by the Anamosa Education Association, make up \$5,647,000 in wages and benefits or 43.1% of all General Fund expenditures. Salary and benefit settlements with any employee group in excess of “new money” or allowable growth in state funding has an adverse effect on the District’s General Fund budget and related fund balance. The District has a projected budget shortfall in the General Fund of (\$466,233) for 2008-2009, exclusive of the board-designated funds for technology, professional development, and curriculum. One of the reasons for this is the settlement for 08-09 being higher than anticipated.
- Rainbow Day Care is in need of a new location as new owners are projected to take possession of the current location in November 2009. Any costs associated with space will add to the expenses of the program. The District will also need to make arrangements for providing meals and custodial services to this program at the time of relocation.

### **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, 2008

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 3,270,095	\$ 23,586	\$ 3,293,681
Receivables:			
Property tax:			
Current year	49,693	-	49,693
Succeeding year	3,814,970	-	3,814,970
Income surtax	356,065	-	356,065
Accounts	28,201	535	28,736
Due from other governments	633,468	-	633,468
Interfund balances (note 4)	36,328	(36,328)	-
Inventories	-	182,551	182,551
Prepaid expenses	44,191	-	44,191
Capital assets, net of accumulated depreciation (note 5)	7,612,135	60,754	7,672,889
<b>Total assets</b>	<b>15,845,146</b>	<b>231,098</b>	<b>16,076,244</b>
<b>Liabilities</b>			
Accounts payable	467,269	42,130	509,399
Salaries and benefits payable	1,131,363	28,942	1,160,305
Accrued interest payable	4,464	-	4,464
Deferred revenue:			
Succeeding year property tax	3,814,970	-	3,814,970
Other	967	46,171	47,138
Compensated absences	47,260	-	47,260
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	19,368	-	19,368
Bonds payable	340,000	-	340,000
Notes payable	18,800	-	18,800
Compensated absences	-	18,995	18,995
Portion due after one year:			
Early retirement	19,369	-	19,369
Bonds payable	670,000	-	670,000
Notes payable	18,800	-	18,800
<b>Total liabilities</b>	<b>6,552,630</b>	<b>136,238</b>	<b>6,688,868</b>

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2008

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 6,564,535	\$ 60,754	\$ 6,625,289
Restricted for:			
Management levy	25,608	-	25,608
Other special revenue purposes	75,257	-	75,257
Debt service	52,389	-	52,389
Capital projects	295,505	-	295,505
State grants	208,414	-	208,414
Unrestricted	<u>2,070,808</u>	<u>34,106</u>	<u>2,104,914</u>
Total net assets	<u>\$ 9,292,516</u>	<u>\$ 94,860</u>	<u>\$ 9,387,376</u>

See notes to financial statements.

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities:</b>			
Instruction	\$ 8,719,709	\$ 1,384,791	\$ 1,180,630
Support services:			
Student services	705,493	-	369,028
Instructional staff services	651,797	-	14,300
Administration services	1,118,882	-	-
Operation and maintenance of plant services	952,066	8,282	7,740
Transportation services	760,894	23,760	21,695
	<u>4,189,132</u>	<u>32,042</u>	<u>412,763</u>
Non-instructional programs	<u>32,000</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	33,344	-	-
Long-term debt interest and fiscal charges	97,687	-	-
AEA flowthrough	484,508	-	484,508
Depreciation (unallocated) *	231,515	-	-
	<u>847,054</u>	<u>-</u>	<u>484,508</u>
Total governmental activities	<u>13,787,895</u>	<u>1,416,833</u>	<u>2,077,901</u>
<b>Business-Type Activities:</b>			
Instruction	<u>6,202</u>	<u>-</u>	<u>-</u>
Support services:			
Administration services	7,884	-	-
Transportation services	216	-	-
	<u>8,100</u>	<u>-</u>	<u>-</u>

Net (Expense) Revenue  
and Changes in Net Assets

---

Governmental Activities	Business-Type Activities	Total
\$ (6,154,288)	\$ -	\$ (6,154,288)
(336,465)	-	(336,465)
(637,497)	-	(637,497)
(1,118,882)	-	(1,118,882)
(936,044)	-	(936,044)
(715,439)	-	(715,439)
(3,744,327)	-	(3,744,327)
(32,000)	-	(32,000)
(33,344)	-	(33,344)
(97,687)	-	(97,687)
-	-	-
(231,515)	-	(231,515)
(362,546)	-	(362,546)
(10,293,161)	-	(10,293,161)
-	(6,202)	(6,202)
-	(7,884)	(7,884)
-	(216)	(216)
-	(8,100)	(8,100)

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Business-Type Activities (continued):			
Non-instructional programs:			
Food service operations	\$ 635,894	\$ 337,758	\$ 251,222
Construction and trades operations	-	58	-
Preschool operations	9,293	13,448	5,570
Day care operations	353,033	331,984	41,708
	<u>998,220</u>	<u>683,248</u>	<u>298,500</u>
Total business-type activities	<u>1,012,522</u>	<u>683,248</u>	<u>298,500</u>
Total	<u>\$ 14,800,417</u>	<u>\$ 2,100,081</u>	<u>\$ 2,376,401</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

---

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>		<u>Total</u>
\$	-	\$ (46,914)	\$	(46,914)
	-	58		58
	-	9,725		9,725
	-	20,659		20,659
	-	(16,472)		(16,472)
	-	(30,774)		(30,774)
	(10,293,161)	(30,774)		(10,323,935)
\$	2,891,689	-	\$	2,891,689
	435,554	-		435,554
	249,876	-		249,876
	391,276	-		391,276
	818,821	-		818,821
	6,142,034	-		6,142,034
	120,395	1,034		121,429
	56,418	-		56,418
	11,106,063	1,034		11,107,097
	812,902	(29,740)		783,162
	8,479,614	124,600		8,604,214
\$	<u>9,292,516</u>	<u>\$ 94,860</u>	\$	<u>9,387,376</u>

ANAMOSA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and pooled investments	\$ 2,856,120	\$ 281,687	\$ 3,137,807
Receivables:			
Property tax:			
Current year	37,556	12,137	49,693
Succeeding year	2,973,257	841,713	3,814,970
Income surtax	356,065	-	356,065
Interfund receivable (note 4)	519,722	-	519,722
Accounts	28,201	-	28,201
Due from other governments	382,756	250,712	633,468
Prepaid expenses	44,120	71	44,191
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 7,197,797</u>	<u>\$ 1,386,320</u>	<u>\$ 8,584,117</u>

ANAMOSA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 433,929	\$ 33,340	\$ 467,269
Salaries and benefits payable	1,131,363	-	1,131,363
Interfund payable (note 4)	32,000	319,106	351,106
Deferred revenue:			
Succeeding year property tax	2,973,257	841,713	3,814,970
Other	357,032	-	357,032
Compensated absences	47,260	-	47,260
<b>Total liabilities</b>	<u>4,974,841</u>	<u>1,194,159</u>	<u>6,169,000</u>
<b>Fund balance:</b>			
Reserved for:			
Prepaid expenses	44,120	-	44,120
State grants	208,414	-	208,414
Debt service	-	56,853	56,853
Unreserved:			
Designated for:			
Wellness	61,315	-	61,315
Curriculum	75,000	-	75,000
Technology	75,000	-	75,000
Professional development	25,000	-	25,000
Regular program budget reduction funding	76,698	-	76,698
Reported in nonmajor Special			
Revenue Funds	-	(160,197)	(160,197)
Reported in nonmajor Capital Project Fund			
Undesignated	1,657,409	-	1,657,409
<b>Total fund balances</b>	<u>2,222,956</u>	<u>192,161</u>	<u>2,415,117</u>
<b>Total liabilities and fund balances</b>	<u>\$ 7,197,797</u>	<u>\$ 1,386,320</u>	<u>\$ 8,584,117</u>

See notes to financial statements.

ANAMOSA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2008

Total fund balances of governmental funds	\$ 2,415,117
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.	7,612,135
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	356,065
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.	(4,464)
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>(1,086,337)</u>
Net assets of governmental activities	\$ <u><u>9,292,516</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, 2008

	General	Nonmajor Governmental Funds	Total
<b>Revenues:</b>			
Local sources:			
Local tax	\$ 3,054,349	\$ 1,695,168	\$ 4,749,517
Tuition	735,736	-	735,736
Other	269,899	427,513	697,412
Intermediate sources	200	-	200
State sources	7,591,572	880	7,592,452
Federal sources	778,013	-	778,013
Total revenues	<u>12,429,769</u>	<u>2,123,561</u>	<u>14,553,330</u>
<b>Expenditures:</b>			
Current:			
Instruction	<u>8,215,547</u>	<u>547,882</u>	<u>8,763,429</u>
Support services:			
Student services	705,492	-	705,492
Instructional staff services	611,574	-	611,574
Administration services	1,048,278	70,604	1,118,882
Operation and maintenance of plant services	867,805	68,999	936,804
Transportation services	640,819	42,565	683,384
	<u>3,873,968</u>	<u>182,168</u>	<u>4,056,136</u>
Non-instructional programs	<u>32,000</u>	<u>-</u>	<u>32,000</u>
Other expenditures:			
Facilities acquisition	-	108,081	108,081
Long term debt:			
Principal	-	1,198,800	1,198,800
Interest and fiscal charges	-	102,846	102,846
AEA flowthrough	484,508	-	484,508
	<u>484,508</u>	<u>1,409,727</u>	<u>1,894,235</u>
Total expenditures	<u>12,606,023</u>	<u>2,139,777</u>	<u>14,745,800</u>
Deficiency of revenues under expenditures	<u>(176,254)</u>	<u>(16,216)</u>	<u>(192,470)</u>

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2008

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources (uses):			
Sale of equipment	\$ 467	\$ -	\$ 467
Compensation for loss of capital assets	12,936	-	12,936
Interfund transfers in (note 3)	-	880,850	880,850
Interfund transfers out (note 3)	(20,850)	(860,000)	(880,850)
Total other financing sources (uses)	<u>(7,447)</u>	<u>20,850</u>	<u>13,403</u>
Net change in fund balances	(183,701)	4,634	(179,067)
Fund balances beginning of year	<u>2,406,657</u>	<u>187,527</u>	<u>2,594,184</u>
Fund balances end of year	<u>\$ 2,222,956</u>	<u>\$ 192,161</u>	<u>\$ 2,415,117</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, 2008

Net change in fund balances - total governmental funds \$ (179,067)

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

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

Expenditures for capital assets	\$ 131,410	
Depreciation expense	<u>(396,832)</u>	(265,422)

Income surtax revenue not received until several months after the District's  
fiscal year end is not considered available revenue in the governmental  
funds and is deferred. It is, however, recorded as revenue in the  
Statement of Activities. 34,064

Repayment of long-term liabilities is an expenditure in the governmental  
funds, but it reduces long-term liabilities in the Statement of Net Assets. 1,198,800

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. 5,159

Some expenses, including early retirement, reported in the Statement of  
Activities do not require the use of current financial resources and,  
therefore, are not reported as expenditures in the governmental funds. 19,368

Change in net assets of governmental activities \$ 812,902

See notes to financial statements.

## ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2008

	School Nutrition	Nonmajor Enterprise Funds	Total
Assets			
Cash and cash equivalents	\$ 47,162	\$ 108,712	\$ 155,874
Accounts receivable	-	535	535
Interfund receivable (note 4)	32,000	-	32,000
Inventories	8,803	173,748	182,551
Capital assets, net of accumulated depreciation (note 5)	60,754	-	60,754
Total assets	<u>148,719</u>	<u>282,995</u>	<u>431,714</u>
Liabilities			
Accounts payable	3,841	38,289	42,130
Salaries and benefits payable	5,461	23,481	28,942
Interfund payable (note 4)	65,666	134,950	200,616
Deferred revenue	3,923	42,248	46,171
Long-term liabilities (note 6):			
Portion due within one year:			
Compensated absences	-	18,995	18,995
Total liabilities	<u>78,891</u>	<u>257,963</u>	<u>336,854</u>
Net Assets			
Invested in capital assets	60,754	-	60,754
Unrestricted	9,074	25,032	34,106
Total net assets	<u>\$ 69,828</u>	<u>\$ 25,032</u>	<u>\$ 94,860</u>

See notes to financial statements.

## ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2008

	School Nutrition	Nonmajor Enterprise Funds	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 337,758	\$ 345,490	\$ 683,248
Operating expenses:			
Instruction	-	6,202	6,202
Support services:			
Administration services	5,448	2,436	7,884
Transportation services	-	216	216
Non-instructional programs	635,894	362,326	998,220
	<u>641,342</u>	<u>371,180</u>	<u>1,012,522</u>
Operating loss	<u>(303,584)</u>	<u>(25,690)</u>	<u>(329,274)</u>
Non-operating revenues:			
Interest on investments	719	315	1,034
Contributions	40,166	41,708	81,874
State sources	5,965	5,570	11,535
Federal sources	205,091	-	205,091
Total non-operating revenues	<u>251,941</u>	<u>47,593</u>	<u>299,534</u>
Change in net assets	(51,643)	21,903	(29,740)
Net assets beginning of year	<u>121,471</u>	<u>3,129</u>	<u>124,600</u>
Net assets end of year	<u>\$ 69,828</u>	<u>\$ 25,032</u>	<u>\$ 94,860</u>

See notes to financial statements.

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2008

	School Nutrition	Nonmajor Enterprise Funds	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 336,387	\$ -	\$ 336,387
Cash received from miscellaneous operating activities	452	344,645	345,097
Cash payments to employees for services	(246,750)	(293,182)	(539,932)
Cash payments to suppliers for goods or services	(264,033)	(173,553)	(437,586)
Net cash used by operating activities	<u>(173,944)</u>	<u>(122,090)</u>	<u>(296,034)</u>
Cash flows from non-capital financing activities:			
Contributions received	-	83,416	83,416
State grants received	6,341	5,570	11,911
Federal grants received	194,483	-	194,483
Net cash provided by non-capital financing activities	<u>200,824</u>	<u>88,986</u>	<u>289,810</u>
Cash flows from investing activities:			
Interest on investments	719	315	1,034
Net increase (decrease) in cash and cash equivalents	27,599	(32,789)	(5,190)
Cash and cash equivalents beginning of year	<u>19,563</u>	<u>9,213</u>	<u>28,776</u>
Cash and cash equivalents end of year	<u>\$ 47,162</u>	<u>\$ (23,576)</u>	<u>\$ 23,586</u>

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2008

	<u>School Nutrition</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (303,584)	\$ (25,690)	\$ (329,274)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	21,820	-	21,820
Commodities used	31,384	-	31,384
(Increase) decrease in accounts receivable	282	(365)	(83)
(Increase) decrease in inventories	3,801	(150,248)	(146,447)
Increase in accounts payable	3,841	12,349	16,190
Increase in salaries and benefits payable	4,047	20,687	24,734
Increase in interfund payable	65,666	2,662	68,328
(Decrease) in deferred revenue	(1,201)	(480)	(1,681)
Increase in compensated absences	-	18,995	18,995
Net cash used by operating activities	<u>\$ (173,944)</u>	<u>\$ (122,090)</u>	<u>\$ (296,034)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$31,384 of federal commodities and \$8,166 of capital contributions.

See notes to financial statements.

ANAMOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2008

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ <u>70,883</u>	\$ <u>123,920</u>
Liabilities:		
Accounts payable	-	36,733
Other payables	<u>-</u>	<u>87,187</u>
Total liabilities	<u>-</u>	<u>123,920</u>
Net assets:		
Reserved for scholarships	\$ <u><u>70,883</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, 2008

		Private Purpose Trust
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	550
Interest		<u>3,863</u>
Total additions		<u>4,413</u>
Deductions:		
Support services:		
Scholarships awarded		<u>3,760</u>
Change in net assets		653
Net assets beginning of year		<u>70,230</u>
Net assets end of year	\$	<u><u>70,883</u></u>
See notes to financial statements.		

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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, 2008

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 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 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 District reports the following major proprietary fund:

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

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

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements 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, 2008

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.

The 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, 2008

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.

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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2008 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, 2008, 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.

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.

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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	5-12 years

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

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

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

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide and proprietary fund financial statements. 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, 2008.

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. Net assets restricted through enabling legislation as of June 30, 2008 consists of \$657,173.

E. Budgets and Budgetary Control

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

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 2. Cash and Pooled Investments (continued)

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>2,845,879</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, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 20,850
	Capital Projects	<u>860,000</u>
Total		<u>\$ 880,850</u>

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

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 4. Interfund Receivables and Payables

At June 30, 2008, the interfund receivables and payables consisted of the following:

Receivable Fund	Payable Fund	Amount
Interfund balances between governmental funds:		
Other receivables:		
General	Special Revenue - Student Activity	\$ 6
General	Special Revenue - Physical Plant and Equipment Levy	319,100
		319,106
Interfund balances between governmental and proprietary funds:		
Pooled cash balances:		
General	Enterprise - Construction and Trades	132,288
Other receivables:		
General	Enterprise - Construction and Trades	2,206
General	Enterprise - School Nutrition	65,666
General	Enterprise - Daycare	456
		68,328
Enterprise - School Nutrition	General	32,000
		100,328
		232,616
Total		\$ 551,722

Pooled cash balances are temporary financing between funds which is necessary due to the timing of expected revenues from the sale of the student built house and the related expenses. These balances are not included on the government-wide Statement of Net Assets.

The other receivable interfund balance between the General Fund and the Physical Plant and Equipment Levy Fund is a long-term loan to finance land acquisition. This loan will be repaid over six years and includes interest at 4.0% per annum. The remaining other receivable interfund balances are due to timing differences involved in various reimbursements at year end. The balances between governmental funds are not included on the government-wide Statement of Net Assets. The balances between governmental and proprietary funds have been eliminated on the face of the government-wide Statement of Net Assets.

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2008 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	\$ 591,350	\$ -	\$ -	\$ 591,350
Capital assets being depreciated:				
Buildings	8,515,564	57,352	-	8,572,916
Improvements other than buildings	628,287	17,385	-	645,672
Furniture and equipment	1,913,569	56,673	-	1,970,242
Total capital assets being depreciated	<u>11,057,420</u>	<u>131,410</u>	<u>-</u>	<u>11,188,830</u>
Less accumulated depreciation for:				
Buildings	2,261,184	182,177	-	2,443,361
Improvements other than buildings	197,363	30,296	-	227,659
Furniture and equipment	1,312,666	184,359	-	1,497,025
Total accumulated depreciation	<u>3,771,213</u>	<u>396,832</u>	<u>-</u>	<u>4,168,045</u>
Total capital assets being depreciated, net	<u>7,286,207</u>	<u>(265,422)</u>	<u>-</u>	<u>7,020,785</u>
Governmental activities capital assets, net	<u>\$ 7,877,557</u>	<u>\$ (265,422)</u>	<u>\$ -</u>	<u>\$ 7,612,135</u>

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 222,570	\$ 8,166	\$ 11,960	\$ 218,776
Less accumulated depreciation	148,162	21,820	11,960	158,022
Business-type activities capital assets, net	<u>\$ 74,408</u>	<u>\$ (13,654)</u>	<u>\$ -</u>	<u>\$ 60,754</u>

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

Governmental activities:	
Instruction	\$ 14,099
Support services:	
Instructional staff	40,223
Operation and maintenance of plant services	20,985
Transportation	90,010
	<u>165,317</u>
Unallocated depreciation	<u>231,515</u>
Total governmental activities depreciation expense	<u>\$ 396,832</u>
Business-type activities:	
Food service operations	<u>\$ 21,820</u>

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Long-Term Liabilities

A summary of changes in governmental activities long-term liabilities for the year ended June 30, 2008 is as follows:

	Early Retirement	General Obligation Bonds	Technology Loan Notes	Total
Balance beginning of year	\$ 58,105	\$ 2,190,000	\$ 56,400	\$ 2,304,505
Additions	-	-	-	-
Reductions	19,368	1,180,000	18,800	1,218,168
Balance end of year	<u>\$ 38,737</u>	<u>\$ 1,010,000</u>	<u>\$ 37,600</u>	<u>\$ 1,086,337</u>
Due within one year	<u>\$ 19,368</u>	<u>\$ 340,000</u>	<u>\$ 18,800</u>	<u>\$ 378,168</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, 2008. 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, 2008, the District has obligations to four participants with a total liability of \$38,737. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$19,368. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 340,000	\$ 52,072	\$ 392,072
2010	355,000	34,732	389,732
2011	315,000	16,538	331,538
	<u>\$ 1,010,000</u>	<u>\$ 103,342</u>	<u>\$ 1,113,342</u>

During the year ended June 30, 2008, the District retired \$1,180,000 of bonds.

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Long-Term Liabilities (continued)

Technology Loan Notes

Details of the District's June 30, 2008 technology loan note indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	3.99 %	\$ 18,800	\$ 1,313	\$ 20,113
2010	3.99	18,800	408	19,208
		<u>\$ 37,600</u>	<u>\$ 1,721</u>	<u>\$ 39,321</u>

During the year ended June 30, 2008, the District retired \$18,800 of notes.

A summary of changes in business-type activities long-term liabilities for the year ended June 30, 2008 is as follows:

	Compensated Absences
Balance beginning of year	\$ -
Additions	18,995
Reductions	<u>-</u>
Balance end of year	<u>\$ 18,995</u>
Due within one year	<u>\$ 18,995</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 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$495,065, \$420,167, and \$397,538, respectively, equal to the required contributions for each year.

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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 \$484,508 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Deficit Balance

The Special Revenue Physical Plant and Equipment Levy Fund within the Nonmajor Governmental funds had a deficit unreserved fund balance of \$299,799 at June 30, 2008.

Note 11. Contingency

The District has two ongoing lawsuits. The District's insurance carrier is providing coverage for the lawsuits. The outcomes of the two cases can not be determined at this time.

Required Supplementary Information

ANAMOSA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –  
 Budget and Actual – All Governmental Funds  
 and Proprietary Funds  
 Required Supplementary Information  
 Year Ended June 30, 2008

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds - Actual	Funds - Actual		Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 6,182,665	\$ 766,156	\$ 6,948,821	\$ 6,174,427	\$ 6,174,427	\$ 774,394
Intermediate sources	200	-	200	-	-	200
State sources	7,592,452	11,535	7,603,987	7,421,416	7,421,416	182,571
Federal sources	778,013	205,091	983,104	853,000	853,000	130,104
<b>Total revenues</b>	<b>14,553,330</b>	<b>982,782</b>	<b>15,536,112</b>	<b>14,448,843</b>	<b>14,448,843</b>	<b>1,087,269</b>
<b>EXPENDITURES/EXPENSES:</b>						
Instruction	8,763,429	6,202	8,769,631	8,658,000	9,200,000	430,369
Support services	4,056,136	8,100	4,064,236	4,803,920	4,803,920	739,684
Non-instructional programs	32,000	998,220	1,030,220	725,575	1,140,000	109,780
Other expenditures	1,894,235	-	1,894,235	1,626,694	1,901,694	7,459
<b>Total expenditures/expenses</b>	<b>14,745,800</b>	<b>1,012,522</b>	<b>15,758,322</b>	<b>15,814,189</b>	<b>17,045,614</b>	<b>1,287,292</b>
Excess (deficiency) of revenues over (under) expenditures/ expenses	(192,470)	(29,740)	(222,210)	(1,365,346)	(2,596,771)	2,374,561
Other financing sources, net	13,403	-	13,403	-	-	13,403
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(179,067)	(29,740)	(208,807)	(1,365,346)	(2,596,771)	2,387,964
Balance beginning of year	2,594,184	124,600	2,718,784	1,748,219	1,748,219	970,565
Balance end of year	\$ <u>2,415,117</u>	\$ <u>94,860</u>	\$ <u>2,509,977</u>	\$ <u>382,873</u>	\$ <u>(848,552)</u>	\$ <u>3,358,529</u>

See accompanying independent auditor's report.

ANAMOSA COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2008

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 \$1,231,425.

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## Other Supplementary Information

ANAMOSA COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2008

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Assets				
Cash and pooled investments	\$ 62,066	\$ 89,649	\$ 33,957	\$ 51,222
Receivables:				
Property tax:				
Current year	2,727	-	3,429	5,981
Succeeding year	187,899	-	261,742	392,072
Due from other governments	-	-	-	-
Prepaid expenses	-	71	-	-
Total assets	<u>\$ 252,692</u>	<u>\$ 89,720</u>	<u>\$ 299,128</u>	<u>\$ 449,275</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 448	\$ 14,457	\$ 18,085	\$ 350
Interfund payable	-	6	319,100	-
Deferred revenue:				
Succeeding year property tax	187,899	-	261,742	392,072
Total liabilities	<u>188,347</u>	<u>14,463</u>	<u>598,927</u>	<u>392,422</u>
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	-	56,853
Unreserved:				
Undesignated	64,345	75,257	(299,799)	-
Total fund equity	<u>64,345</u>	<u>75,257</u>	<u>(299,799)</u>	<u>56,853</u>
Total liabilities and fund equity	<u>\$ 252,692</u>	<u>\$ 89,720</u>	<u>\$ 299,128</u>	<u>\$ 449,275</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ 44,793	\$ 281,687
-	12,137
-	841,713
250,712	250,712
-	71
<u>\$ 295,505</u>	<u>\$ 1,386,320</u>
\$ -	\$ 33,340
-	319,106
-	841,713
<u>-</u>	<u>1,194,159</u>
-	56,853
295,505	135,308
<u>295,505</u>	<u>192,161</u>
<u>\$ 295,505</u>	<u>\$ 1,386,320</u>

ANAMOSA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2008

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Revenues:				
Local sources:				
Local tax	\$ 191,601	\$ -	\$ 249,627	\$ 435,119
Other	9,961	414,211	188	1,319
State sources	196	-	249	435
Total revenues	<u>201,758</u>	<u>414,211</u>	<u>250,064</u>	<u>436,873</u>
Expenditures:				
Current:				
Instruction	103,191	416,211	28,480	-
Support services:				
Administration services	676	-	69,928	-
Operation and maintenance of plant services	50,917	-	18,082	-
Transportation services	30,065	-	12,500	-
Other expenditures:				
Facilities acquisition	-	-	104,329	-
Long term debt:				
Principal	-	-	-	1,198,800
Interest and fiscal charges	-	-	-	102,846
Total expenditures	<u>184,849</u>	<u>416,211</u>	<u>233,319</u>	<u>1,301,646</u>
Excess (deficiency) of revenues over (under) expenditures	16,909	(2,000)	16,745	(864,773)
Other financing sources (uses):				
Interfund transfers in	-	-	-	880,850
Interfund transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>880,850</u>
Net change in fund balances	16,909	(2,000)	16,745	16,077
Fund balances beginning of year	<u>47,436</u>	<u>77,257</u>	<u>(316,544)</u>	<u>40,776</u>
Fund balances end of year	<u>\$ 64,345</u>	<u>\$ 75,257</u>	<u>\$ (299,799)</u>	<u>\$ 56,853</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ 818,821	\$ 1,695,168
1,834	427,513
-	880
820,655	2,123,561
-	547,882
-	70,604
-	68,999
-	42,565
3,752	108,081
-	1,198,800
-	102,846
3,752	2,139,777
816,903	(16,216)
-	880,850
(860,000)	(860,000)
(860,000)	20,850
(43,097)	4,634
338,602	187,527
\$ 295,505	\$ 192,161

## ANAMOSA COMMUNITY SCHOOL DISTRICT

 COMBINING SCHEDULE OF NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 June 30, 2008

	<u>Construction and Trades</u>	<u>Preschool</u>	<u>Daycare</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ -	\$ 3,460	\$ 105,252	\$ 108,712
Accounts receivable	-	535	-	535
Inventories	173,748	-	-	173,748
Total assets	<u>173,748</u>	<u>3,995</u>	<u>105,252</u>	<u>282,995</u>
Liabilities				
Accounts payable	34,902	-	3,387	38,289
Salaries and benefits payable	-	3,303	20,178	23,481
Interfund payable	134,494	-	456	134,950
Deferred revenue	-	540	41,708	42,248
Long-term liabilities:				
Portion due within one year:				
Compensated absences	-	-	18,995	18,995
Total liabilities	<u>169,396</u>	<u>3,843</u>	<u>84,724</u>	<u>257,963</u>
Net Assets				
Unrestricted	<u>\$ 4,352</u>	<u>\$ 152</u>	<u>\$ 20,528</u>	<u>\$ 25,032</u>

See accompanying independent auditor's report.

ANAMOSA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 Year Ended June 30, 2008

	<u>Construction and Trades</u>	<u>Preschool</u>	<u>Daycare</u>	<u>Total</u>
Operating revenues:				
Local sources:				
Charges for services	\$ 58	\$ 13,448	\$ 331,984	\$ 345,490
Operating expenses:				
Instruction	-	6,202	-	6,202
Support services:				
Administration services	2,206	-	230	2,436
Transportation services	-	-	216	216
Non-instructional programs	-	9,293	353,033	362,326
	<u>2,206</u>	<u>15,495</u>	<u>353,479</u>	<u>371,180</u>
Operating loss	<u>(2,148)</u>	<u>(2,047)</u>	<u>(21,495)</u>	<u>(25,690)</u>
Non-operating revenues:				
Interest on investments	-	-	315	315
Contributions	-	-	41,708	41,708
State sources	-	5,570	-	5,570
Total non-operating revenues	<u>-</u>	<u>5,570</u>	<u>42,023</u>	<u>47,593</u>
Change in net assets	(2,148)	3,523	20,528	21,903
Net assets beginning of year	<u>6,500</u>	<u>(3,371)</u>	<u>-</u>	<u>3,129</u>
Net assets end of year	<u>\$ 4,352</u>	<u>\$ 152</u>	<u>\$ 20,528</u>	<u>\$ 25,032</u>

See accompanying independent auditor's report.

ANAMOSA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
Year Ended June 30, 2008

	<u>Construction and Trades</u>	<u>Preschool</u>	<u>Daycare</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from miscellaneous operating activities	\$ 58	\$ 12,603	\$ 331,984	\$ 344,645
Cash payments to employees for services	-	(14,913)	(278,269)	(293,182)
Cash payments to suppliers for goods or services	(141,286)	(73)	(32,194)	(173,553)
Net cash provided by (used in) operating activities	<u>(141,228)</u>	<u>(2,383)</u>	<u>21,521</u>	<u>(122,090)</u>
Cash flows from non-capital financing activities:				
Contributions received	-	-	83,416	83,416
State grants received	-	5,570	-	5,570
Net cash provided by non-capital financing activities	<u>-</u>	<u>5,570</u>	<u>83,416</u>	<u>88,986</u>
Cash flows from investing activities:				
Interest on investments	-	-	315	315
Net increase (decrease) in cash and cash equivalents	(141,228)	3,187	105,252	(32,789)
Cash and cash equivalents at beginning of year	<u>8,940</u>	<u>273</u>	<u>-</u>	<u>9,213</u>
Cash and cash equivalents at end of year	<u>\$ (132,288)</u>	<u>\$ 3,460</u>	<u>\$ 105,252</u>	<u>\$ (23,576)</u>

ANAMOSA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 Year Ended June 30, 2008

	<u>Construction and Trades</u>	<u>Preschool</u>	<u>Daycare</u>	<u>Total</u>
Reconciliation of operating loss to net cash provided by (used by) operating activities:				
Operating loss	\$ (2,148)	\$ (2,047)	\$ (21,495)	\$ (25,690)
Adjustments to reconcile operating loss to net cash provided by (used by) operating activities:				
(Increase) in accounts receivable	-	(365)	-	(365)
(Increase) in inventories	(150,248)	-	-	(150,248)
Increase in accounts payable	8,962	-	3,387	12,349
Increase in salaries and benefits payable	-	509	20,178	20,687
Increase in interfund payable	2,206	-	456	2,662
(Decrease) in deferred revenue	-	(480)	-	(480)
Increase in compensated absences	-	-	18,995	18,995
	<hr/>			
Net cash provided by (used by) operating activities	<u>\$ (141,228)</u>	<u>\$ (2,383)</u>	<u>\$ 21,521</u>	<u>\$ (122,090)</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, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Annual	\$ 4,384	\$ 17,061	\$ 19,862	\$ 1,583
Middle School Student Council	6,151	31,874	34,841	3,184
Class of:				
2006	(444)	-	-	(444)
2007	(617)	10	-	(607)
2008	1,259	5,053	8,008	(1,696)
2009	-	4,192	4,010	182
2010	-	75	100	(25)
2011	-	75	-	75
Drama	1,263	1,604	1,336	1,531
Spanish Club	798	4,063	4,348	513
French Club	4,793	7,336	9,951	2,178
Interact Club	2,558	480	532	2,506
High School Art Club	1,683	3,745	2,985	2,443
Cheerleaders	2,936	17,504	18,741	1,699
Future Farmers of America	6,169	55,495	59,509	2,155
Instrumental Music	(593)	4,793	3,724	476
MS Instrumental Music	694	7,053	5,775	1,972
High School Music Trip Fund	-	6,935	75	6,860
General Athletics	(9,613)	5,790	8,628	(12,451)
Middle School Concessions	8,382	8,225	7,797	8,810
Dance Squad	(3,111)	63,416	63,267	(2,962)
Football	1,390	40,503	39,701	2,192
Boys Soccer	152	2,214	715	1,651
Girls Soccer	(1,170)	3,576	1,936	470
Baseball	1,738	7,172	5,533	3,377
Softball	(2,487)	16,358	11,666	2,205
Girls Track	668	2,529	3,385	(188)
Boys Track	2,100	3,750	3,943	1,907
Boys Golf	(733)	2,095	2,152	(790)
Wrestling	(77)	6,660	6,694	(111)
Cross Country	782	2,111	2,130	763
Girls Golf	(474)	1,702	2,009	(781)
Volleyball	1,469	5,917	6,366	1,020
Girls Basketball	792	11,591	11,567	816
Boys Basketball	695	12,553	11,590	1,658
Vocal Music	1,805	5,231	4,778	2,258
Musicals	1,880	-	82	1,798
Strawberry Hill - Miscellaneous	34,242	28,086	28,539	33,789
Strawberry Hill Service Project	27	-	-	27
Science Club	364	-	-	364

ANAMOSA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
ELP/SCI Store	\$ 1,656	\$ 441	\$ 184	\$ 1,913
Trapshoot Club	63	1,058	850	271
Parent Partner	25	-	-	25
Vending Machine	5,046	14,927	17,565	2,408
Veterans Day	482	958	1,237	203
NHS Fundraiser	130	-	100	30
 Total	 \$ <u>77,257</u>	 \$ <u>414,211</u>	 \$ <u>416,211</u>	 \$ <u>75,257</u>

See accompanying independent auditor's report.

ANAMOSA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2008

	<u>Empowerment Fund</u>	<u>Music Boosters</u>	<u>Total</u>
Assets and Liabilities			
Balances beginning of year	\$ <u>100,397</u>	\$ <u>-</u>	\$ <u>100,397</u>
Additions:			
Early Childhood Program	28,110	-	28,110
School Ready Children	286,182	-	286,182
Interest	796	-	796
Fees	-	8,171	8,171
Total additions	<u>315,088</u>	<u>8,171</u>	<u>323,259</u>
Deductions:			
Agency remittances:			
Trusts paid out	<u>297,901</u>	<u>1,835</u>	<u>299,736</u>
Balances end of year	<u>\$ 117,584</u>	<u>\$ 6,336</u>	<u>\$ 123,920</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,			
	2008	2007	2006	2005
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 4,749,517	\$ 4,512,425	\$ 4,335,162	\$ 4,167,435
Tuition	735,736	651,467	537,216	491,171
Other	697,412	732,767	630,334	496,660
Intermediate sources	200	-	-	-
State sources	7,592,452	6,625,602	6,324,145	5,920,355
Federal sources	778,013	867,161	927,975	862,619
<b>Total revenues</b>	<b>\$ 14,553,330</b>	<b>\$ 13,389,422</b>	<b>\$ 12,754,832</b>	<b>\$ 11,938,240</b>
<b>Expenditures:</b>				
Instruction	\$ 8,763,429	\$ 7,960,603	\$ 7,359,279	\$ 6,731,909
Support services:				
Student services	705,492	757,234	830,925	675,119
Instructional staff services	611,574	559,333	398,139	347,346
Administration services	1,118,882	1,025,053	920,025	816,421
Operation and maintenance of plant services	936,804	869,900	883,972	740,929
Transportation services	683,384	697,788	596,839	540,503
Non-instructional programs	32,000	-	-	28,781
Other expenditures:				
Facilities acquisition	108,081	668,331	197,203	140,819
Long-term debt:				
Principal	1,198,800	1,037,600	1,000,000	304,000
Interest and fiscal charges	102,846	158,507	216,741	231,535
AEA flowthrough	484,508	432,227	403,084	378,516
<b>Total expenditures</b>	<b>\$ 14,745,800</b>	<b>\$ 14,166,576</b>	<b>\$ 12,806,207</b>	<b>\$ 10,935,878</b>

See accompanying independent auditor's report.

ANAMOSA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2008

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 08	\$ <u>329,046</u>
Indirect:			
U. S. Department of Agriculture: Iowa Department of Education: School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 08	15,628
National School Lunch Program	10.555	FY 08	158,078
National School Lunch Program (non-cash)	10.555	FY 08	<u>31,384</u>
			<u>205,090</u>
U. S. Department of Homeland Security: Iowa Department of Public Defense: Disaster Grants - Public Assistance	97.036	DR1737	<u>7,740</u>
U. S. Department of Education: Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	0234G	122,351
Title 1 Grants to Local Educational Agencies	84.010	0234GC	<u>14,600</u>
			<u>136,951</u>
Special Education - Grants to States	84.027	FY 08	<u>412</u>
State Grants for Innovative Programs	84.298	FY 08	<u>1,648</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 08	<u>4,573</u>
Improving Teacher Quality State Grants	84.367	FY 08	<u>47,187</u>
Grants for Enhanced Assessment Instruments	84.368	FY 08	<u>3,600</u>
Grants for State Assessments and Related Activities	84.369	FY 08	<u>8,981</u>

ANAMOSA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2008

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect (continued):			
U. S. Department of Education (continued):			
Grant Wood Area Education Agency:			
Special Education - Grants to States	84.027	FY 08	\$ <u>77,257</u>
Career and Technical Education - Basic Grants to States	84.048	FY 08	<u>11,421</u>
Safe and Drug-Free Schools and Communities - National Programs	84.184	FY 08	<u>2,103</u>
Total			\$ <u><u>836,009</u></u>

Basis of Presentation –

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

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
Anamosa Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Anamosa Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 16, 2008. 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, including 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 deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies 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-08 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, 2008 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 16, 2008

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

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, 2008. 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, 2008.

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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. 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 16, 2008

ANAMOSA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2008

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.184 – Safe and Drug-Free Schools and Communities – National Programs
- (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, 2008

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

II-A-08 Financial Reporting – During the audit, we identified a material misstatement of receivables in the District’s financial statements in the Capital Projects Fund. An adjustment was 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 properly recorded in the District’s financial statements.

Response – This was due to a reversal not posted correctly to the general ledger. We will make sure all receivables are properly recorded in the future.

Conclusion – Response accepted.

II-B-08 Financial Reporting – During the audit, we noted that the District’s entire compensated absences liability of \$47,260 was recorded as a liability and expenditure in the governmental fund financial statements. According to Governmental Accounting Standards Board Interpretation No. 6, a compensated absences liability should only be recorded in the governmental funds for employees who have resigned or retired otherwise it should be reported as a long term liability in the government-wide statement of net assets.

Recommendation – The District should record its compensated absences as a long term liability in the District-wide governmental activities, except for payments to employees who have resigned or retired, in order to comply with accounting principles generally accepted in the United States of America.

Response – We will properly record the compensated absences liability in the future to comply with accounting principles generally accepted in the United States of America.

Conclusion – Response accepted.

ANAMOSA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2008

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Significant Deficiency:

No matters were reported.

ANAMOSA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-08 Certified Budget – Expenditures for the year ended June 30, 2008, did not exceed the amounts budgeted.
- IV-B-08 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-08 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-08 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Connie McKean, Board Vice President	Substitute teacher	\$2,430

In accordance with Chapter 279.7A of the Code of Iowa, the transaction does not appear to represent a conflict of interest since the cumulative amount was less than \$2,500 for the fiscal year.

- IV-E-08 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-08 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-08 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-08 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-08 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.

ANAMOSA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

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

IV-J-08 Financial Condition – At June 30, 2008, the Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund had a negative fund balance of \$299,799. 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 Fund 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 investigate solutions to eliminate the Student Activity deficit balances.

Conclusion – Response accepted.

IV-K-08 Payroll – We noted a stipend paid to a District employee that did not go through the District’s payroll process.

Recommendation – All employee stipends should be paid through the payroll process with the appropriate taxes withheld.

Response – We will correct our procedures for employee stipends.

Conclusion – Response accepted.