

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2004**

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

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**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

OFFICIALS

Name	Title	Term Expires
Board of Education (Before September 2003 Election)		
Amy Matt	President	2003
Roger Balk	Vice-President	2005
Darla Zittergruen	Board Member	2004
Daniel Berns	Board Member	2003
Philip Johnson	Board Member	2005

Board of Education (After September 2003 Election)		
Roger Balk	President	2005
Phil Johnson	Vice President	2005
Amy Matt	Board Member	2006
Daniel Berns	Board Member	2006
Darla Zittergruen	Board Member	2004

School Officials		
Allan Nelson	Superintendent	2004
Mary Seifert	District Secretary/Treasurer	2004
Stephen Saunders	Attorney	2004

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Garnavillo 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 the Garnavillo Community School District as of and for the year ended June 30, 2004, which collectively comprise the District' s basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with United States of America generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Garnavillo Community School District at June 30, 2004 and the respective changes in financial position and cash flows, were applicable, for the year then ended in conformity with United States of America generally accepted accounting principles.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, Garnavillo Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued a report dated September 8, 2004 on our consideration of the Garnavillo Community School District' s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management' s Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 39 through 41 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Garnavillo 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, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O' CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa
September 8, 2004

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

This section of the Garnavillo Community School District's financial statements presents its discussion of the District's financial performance during the fiscal year ending June 30, 2004. The analysis focuses on District financial performance as a whole.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. In subsequent years comparison to prior year data will be provided for all key financial information.

Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- General fund revenues decreased from \$2,828,670 in FY03 to \$2,792,042 in FY04, while general fund expenditures increased from \$2,637,608 in FY03 to \$2,673,953 in FY04. The FY04 balance of \$767,266 increased from the FY03 balance of \$648,877, resulting in an 18% increase.
- The general fund revenue decrease is primarily due to decreased revenues in special ed. because of the discontinuation of an early childhood program, where students were served from four neighboring districts as well as the Garnavillo district.
- Local option sales tax collections in Clayton County began on January 1, 2004. The district began receiving funds in March, 2004. Total revenues received during the period of March, 2004 – June, 2004 was \$22,211.00.
- The September, 2003 certified enrollment decreased 10.7 students versus September, 2002.
- A merger of the Garnavillo Community School District with the Guttenberg Community School District will go into affect on July 1, 2005. The vote for reorganization was approved by the voters on September 14, 2004.
- The District was the recipient of a reading first grant totaling \$216,450 which will be distributed over a three year period beginning with the 2003-04 fiscal year.

Overview of Financial Statements

This 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 Statement of Net Assets and Statement of Activities provide information on a government-wide basis. The statements present an aggregate view of the District's finances. Government-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- 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 government-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 relationship 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.

Government-wide Statements

The government-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 government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether 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 government-wide financial statements, the District's activities are divided into two categories:

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

Fund Financial Statements

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

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

The District has two kinds of funds:

- **Governmental funds:** Most of the District's basic services are included in the 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 you 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.
- **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide 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. Internal service funds, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. The District does not currently have any internal service funds.

Financial Analysis of the District as a Whole

Net Assets. The table below provides a summary of the District's net assets for the year ended June 30, 2004

Figure A-1

Condensed Statement of Net Assets (expressed in thousands)

	Governmental Activities <u>2004</u>	Business-type Activities <u>2004</u>	Total School District <u>2004</u>
Current assets	3,118	8	3,126
Capital assets	645	-	645
Total Assets	3,763	8	3,771
Current Liabilities	2,066	-	2,066
Non-current liabilities	147	-	147
Total Liabilities	2,213	0	2,213
Net Assets			
Invested in capital assets, net of related debt	645	-	645
Restricted	207	-	207
Unrestricted	698	8	706
Total Net Assets	1,550	8	1,558

Changes in net assets. The table below shows the changes in net assets for fiscal year 2004. Since this is the first year for preparation of financial statements in accordance with GASB Statement 34, revenue and expense comparisons to fiscal year 2003 are not available. Comparison data will be presented in subsequent years.

Figure A-2
Changes in Net Assets from Operating Results (expressed in thousands)

	Governmental	Business- type	Total School District
	Activities	Activities	Activities
	<u>2004</u>	<u>2004</u>	<u>2004</u>
Revenues			
Program Revenues			
Charges for Services	867	74	941
Operating Grants & Contributions	215	47	262
General Revenues			
Property taxes	1,167	-	1,167
Local option sales and service tax	22	-	22
Instructional support surtax	178	-	178
Unrestricted state grants	646	-	646
Unrestricted investment earnings	20	-	20
Other	11	-	11
Total Revenues	3,126	121	3,247
Expenses			
Instruction	2,019	-	2,019
Support Services	794	-	794
Non- instructional programs	-	116	116
Other Expenses	102	-	102
Total Expenses	2,915	116	3,031
Increase (decrease) in net assets	211	5	216

As shown in Figure A-2, property tax and state aid provide 58% of the funding required for governmental programs. Charges for services and operating grants provide 100% of the funding for business-type activities (food service program).

Total District revenues exceeded total expenses, thereby increasing net assets \$216,000. Business-type activities contributed \$5,000 to this increase, with the remaining \$211,000 coming from governmental activities.

Approximately 68% of the district's expenses are instruction costs. Administration expenses account for 9%, maintenance accounts for 10%, transportation accounts for 4%, food service accounts for 4%, with the remaining other expenses accounting for 5%.

Governmental Activities

Revenues for governmental activities were \$3,126,000 while total expenses were \$2,915,000. The table below presents the cost of six major district activities and each activities net cost. Net cost shows equals the 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-3
Net Cost of Governmental Activities (expressed in thousands)

	Total Cost of Services 2004	Net Cost of Services <u>2004</u>
Instruction	\$2,019	\$ 1,691
Support services	794	117
Other	102	24
Total	\$2,915	\$1,833

The total cost of all governmental activities was \$2,915,000. The net cost is \$1,082,000 less due to funds received for instructional services provided to students from other districts, and due to funds received from the federal and state governments for certain programs they choose to subsidize (such as Title I).

Business-type Activities

Revenues of the District's business-type activities (food service) were comprised for meals, federal and state reimbursements, and interest earnings. (See Figure A-2).

Business-type activities revenues exceeded expenses by \$5,000. Charges for meals accounts for 61% of the total revenues, while contributions from the federal and state government for free and reduced meals and commodities accounts for 39%.

Financial Analysis of the District's Funds

The Garnavillo Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year 2004, the governmental funds reported combined ending balances of \$3,124,363. Approximately 30% of this balance, \$934,447, is unreserved fund balance. The remainder of the fund balance is reserved to show that it is not available for new spending because it has already been committed for encumbrances, student activities, and other restricted purposes.

The general fund is the chief operating fund of the District. At the end of the fiscal year 2004, unreserved fund balance of the general fund was \$747,441, and the total fund balance was \$2,767,422. The total general fund balance decreased by 8,991 primarily due to an increase in accounts payable and salaries and benefits.

Budgetary Highlights

The District adopts a budget in April for the following year. A comparison of the District's budget amounts compared actual financial activity is provided in this report in the required supplementary information.

Total receipts were under budget by \$200,032, or approximately 7%. Total disbursements were \$455,782 under budget, or approximately 14%.

The total expenditures were less than budgeted due primarily to the District's general fund budget. It is the District's practice to budget expenditures at the maximum authorized spending authority for the general fund. The District then controls general fund spending through its line-item budget. As a result, the certified budget should always exceed actual expenditures for the year, as required by law.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2004 for its governmental and business-type activities was \$644,000 net accumulated depreciation. This investment includes land, buildings, and equipment. The total increase in capital assets of \$38,128 was due to a prior period adjustment of \$18,161 and an increase in assets of \$19,967.

Figure A-4
Capital Assets (net of depreciation) (expressed in thousands)

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2003-2004
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	
Land	\$149	\$149	-	-	\$149	\$149	0.0%
Construction in Progress	-	-	-	-	-	-	0.0%
Buildings	125	127	-	-	125	127	1.60%
Equipment & Furniture	332	368	-	-	332	368	10.8%
	\$606	\$644	-	-	\$606	\$644	6.27%

Long- Term Debt

At June 30, 2004 the District has no long-term debt outstanding.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Garnavillo Community School District and Guttenberg Community School District voters approved a merger to be effective July 1, 2005. Therefore, fiscal year 2005 will be the final year for Garnavillo Community School District.
- The Garnavillo District currently has a voter approved PPEL of \$.66 per 1,000 of assessed valuation for Physical Plant and Equipment needs. Guttenberg does not currently have a voter approved PPEL in place. However, voters approved a 3-year levy of \$.51 per 1,000 of assessed valuation which will go into effect July 1, 2005.
- The District continues to experience declining enrollment. The September, 2004 enrollment decreased by 6 students. This trend is anticipated to continue for the next few years.
- Merger of the two districts will create a new district which will no longer be eligible for REAP funding. This federal funding has been used by the Garnavillo district primarily for enhancing education through technology. This funding contributed \$30,157 in FY04.
- All bargaining unit contracts are one-year contracts, and open for negotiations for next year. Salary and benefits represent 77% of general fund expenses. Since the district not receive an increase in spending authority, any increase in settlements causes an adverse effect on the general fund budget and related fund balance.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives.

If you have questions about this report or need additional financial information, contact Mary Seifert, Garnavillo Community School District, PO Box 9, Garnavillo, Iowa 52049.

**BASIC
FINANCIAL
STATEMENTS**

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2004**

	Governmental Activities	Business-Type Activities	Total
	-----	-----	-----
Assets			
Cash and cash equivalents:			
ISCAP	\$ 371,513	\$ ---	\$ 371,513
Other	849,519	2,129	851,648
Receivables:			
Property tax:			
Delinquent	22,650	---	22,650
Succeeding year	1,139,422	---	1,139,422
Income surtax	97,834	---	97,834
Accounts	350	586	936
Accrued Interest:			
ISCAP	2,021	---	2,021
Due from other governments	631,806	---	631,806
Internal balances	3,625	(3,625.)	---
Inventories	---	9,207	9,207
Capital assets, net of depreciation	644,646	---	644,646
	-----	-----	-----
Total Assets	\$ 3,763,386	\$ 8,297	\$ 3,771,683
	-----	-----	-----
Liabilities			
Accounts payable	\$ 396,773	\$ ---	\$ 396,773
Salaries and benefits payable	156,596	---	156,596
Deferred revenue - succeeding year property tax	1,139,422	---	1,139,422
ISCAP warrants payable	369,000	---	369,000
ISCAP accrued interest payable	3,065	---	3,065
ISCAP unamortized premium	1,778	---	1,778
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	36,611	---	36,611
Portion due after one year:			
Early retirement payable	110,121	---	110,121
	-----	-----	-----
Total Liabilities	\$ 2,213,366	\$ ---	\$ 2,213,366
	-----	-----	-----
Net Assets			
Invested in capital assets, net of related debt	\$ 644,646	\$ ---	\$ 644,646
Restricted for:			
Phase III	4,827	---	4,827
Title I	8,066	---	8,066
Title IV	6,933	---	6,933
Drug free schools	566	---	566
Management levy	39,003	---	39,003
Physical plant and equipment levy	101,678	---	101,678
Other special revenue purposes	24,114	---	24,114
Local option sales and service tax	22,211	---	22,211
Unrestricted	697,976	8,297	706,273
	-----	-----	-----
Total Net Assets	\$ 1,550,020	\$ 8,297	\$ 1,558,317
	=====	=====	=====

See notes to financial statements.

EXHIBIT B

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental Activities:							
Instruction:							
Regular instruction	\$ 1,517,076	\$ 59,924	\$ 93,596	\$ ---	\$ (1,363,556.)	\$ ---	\$ (1,363,556.)
Special instruction	401,904	88,220	40,497	---	(273,187.)	---	(273,187.)
Other instruction	100,256	45,559	---	---	(54,697.)	---	(54,697.)
Total Instruction	\$ 2,019,236	\$ 193,703	\$ 134,093	\$ ---	\$ (1,691,440.)	\$ ---	\$ (1,691,440.)
Support Services:							
Student services	\$ 55,456	\$ 612,851	\$ ---	\$ ---	\$ 557,395	\$ ---	\$ 557,395
Instructional staff services	59,699	---	2,582	---	(57,117.)	---	(57,117.)
Administration services	264,456	53,919	1,000	---	(209,537.)	---	(209,537.)
Operation and maintenance of plant services	291,076	5,600	---	---	(285,476.)	---	(285,476.)
Transportation services	123,948	1,340	---	---	(122,608.)	---	(122,608.)
Total Support Services	\$ 794,635	\$ 673,710	\$ 3,582	\$ ---	\$ (117,343.)	\$ ---	\$ (117,343.)

See notes to financial statements.

EXHIBIT B (CONTINUED)

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions/Programs (Continued)	-----	-----	-----	-----	-----	-----	-----
Governmental Activities: (Continued)							
Other Expenditures:							
AEA flowthrough	\$ 77,212	\$ ---	\$ 77,212	\$ ---	\$ ---	\$ ---	\$ ---
Depreciation (unallocated)*	24,230	---	---	---	(24,230.)	---	(24,230.)
	-----	-----	-----	-----	-----	-----	-----
Total Other Expenditures	\$ 101,442	\$ ---	\$ 77,212	\$ ---	\$ (24,230.)	\$ ---	\$ (24,230.)
	-----	-----	-----	-----	-----	-----	-----
Total Governmental Activities	\$ 2,915,313	\$ 867,413	\$ 214,887	\$ ---	\$ (1,833,013.)	\$ ---	\$ (1,833,013.)
	-----	-----	-----	-----	-----	-----	-----
Business-Type Activities:							
Non-instructional Programs:							
Food service operations	116,296	74,074	46,860	---	---	4,638	4,638
	-----	-----	-----	-----	-----	-----	-----
Total	\$ 3,031,609	\$ 941,487	\$ 261,747	\$ ---	\$ (1,833,013.)	\$ 4,638	\$ (1,828,375.)
	=====	=====	=====	=====	-----	-----	-----

See notes to financial statements.

EXHIBIT B (CONTINUED)

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
General Revenues						
Property tax levied for:						
General purposes				\$ 1,166,872	\$ ---	\$ 1,166,872
Local option sales tax and service tax				22,211	---	22,211
Instructional support surtax				178,935	---	178,935
Unrestricted state grants				645,768	---	645,768
Unrestricted investment earnings				20,287	70	20,357
Other				11,217	---	11,217
Total General Revenues				\$ 2,045,290	\$ 70	\$ 2,045,360
Change in Net Assets				\$ 212,277	\$ 4,708	\$ 216,985
Net Assets Beginning of Year, as restated for GASB 34				\$ 1,319,582	\$ 3,589	\$ 1,323,171
Prior Period Adjustment				18,161	---	18,161
Net Asset Beginning of Year, as restated				\$ 1,337,743	\$ 3,589	\$ 1,341,332
Net Assets End of Year				\$ 1,550,020	\$ 8,297	\$ 1,558,317

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

See notes to financial statements.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

	General	Nonmajor Governmental Funds	Total
	-----	-----	-----
Assets			
Cash and pooled investments			
ISCAP	\$ 371,513	\$ ---	\$ 371,513
Other	677,031	172,488	849,519
Receivables:			
Property Tax:			
Delinquent	19,452	3,198	22,650
Succeeding year	972,441	166,981	1,139,422
Income Surtax	97,834	---	97,834
Accounts	350	---	350
Accrued Interest:			
ISCAP	2,021	--	2,021
Due from other funds	4,911	4,337	9,248
Due from other governments	621,869	9,937	631,806
	-----	-----	-----
Total Assets	\$ 2,767,422	\$ 356,941	\$ 3,124,363
	=====	=====	=====
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 395,105	\$ 1,668	\$ 396,773
Salaries and benefits payable	156,596	---	156,596
Due to other funds	4,337	1,286	5,623
ISCAP warrants payable	369,000	---	369,000
ISCAP accrued interest payable	3,065	---	3,065
ISCAP unamortized premium	1,778	---	1,778
Deferred revenue:			
Succeeding year property tax	972,441	166,981	1,139,422
Income Surtax	97,834	---	97,834
	-----	-----	-----
Total Liabilities	\$ 2,000,156	\$ 169,935	\$ 2,170,091
	-----	-----	-----
Fund Balances:			
Reserved for:			
Phase 3	\$ 4,827	\$ ---	\$ 4,827
Title I	8,065	---	8,065
Title VI	6,933	---	6,933
Unreserved:			
Undesignated	747,441	187,006	934,447
	-----	-----	-----
Total Fund Balances	\$ 767,266	\$ 187,006	\$ 954,272
	-----	-----	-----
Total Liabilities and Fund Balances	\$ 2,767,422	\$ 356,941	\$ 3,124,363
	=====	=====	=====

See notes to financial statements.

GARNAVILLO COMMUNITY SCHOOL DISTRICT
 GARNAVILLO, IOWA

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2004

Total fund balances of governmental funds	\$ 954,272
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets of \$1,949,281, net of accumulated depreciation of (\$1,304,635) are not financial resources and, therefore, are not reported in the funds.	644,646
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	(146,732.)
Income surtaxes will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds	97,834
Net assets of governmental activities	----- \$ 1,550,020 =====

See notes to financial statements.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004**

	General	Nonmajor Governmental Funds	Total
Revenues	-----	-----	-----
Local Sources:			
Local tax	\$ 1,081,719	\$ 188,465	\$ 1,270,184
Tuition	129,544	---	129,544
Other	709,279	48,949	758,228
Intermediate sources	9,505	---	9,505
State sources	797,659	---	797,659
Federal sources	64,336	---	64,336
	-----	-----	-----
Total Revenues	\$ 2,792,042	\$ 237,414	\$ 3,029,456
	-----	-----	-----
Expenditures			
Current:			
Instruction:			
Regular instruction	\$ 1,473,654	\$ 1,729	\$ 1,475,383
Special instruction	423,349	1,051	424,400
Other instruction	52,266	47,990	100,256
	-----	-----	-----
Total Instruction	\$ 1,949,269	\$ 50,770	\$ 2,000,039
	-----	-----	-----
Support Services:			
Student services	\$ 57,954	\$ 555	\$ 58,509
Instructional staff services	65,205	---	65,205
Administration services	264,456	---	264,456
Operation and maintenance of plant services	142,712	194,090	336,802
Transportation services	117,145	---	117,145
	-----	-----	-----
Total Support Services	\$ 647,472	\$ 194,645	\$ 842,117
	-----	-----	-----
Other Expenditures:			
AEA flowthrough	\$ 77,212	\$ ---	\$ 77,212
	-----	-----	-----
Total Expenditures	\$ 2,673,953	\$ 245,415	\$ 2,919,368
	-----	-----	-----
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 118,089	\$ (8,001.)	\$ 110,088
	-----	-----	-----

See notes to financial statements.

GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General	Nonmajor Governmental Funds	Total
	-----	-----	-----
Other Financing Sources (Uses):			
Sale of equipment and materials	\$ 300	\$ ---	\$ 300
	-----	-----	-----
Total Other Financing Sources (Uses)	\$ 300	\$ ---	\$ 300
	-----	-----	-----
Net Change in Fund Balances	\$ 118,389	\$ (8,001.)	\$ 110,388
	-----	-----	-----
Fund Balances Beginning of Year, as restated	648,877	195,007	843,884
	-----	-----	-----
Fund Balances End of Year	\$ 767,266	\$ 187,006	\$ 954,272
	=====	=====	=====

See notes to financial statements.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

Net change in fund balances - total governmental funds \$ 110,388

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$79,932 exceeded depreciation of (\$59,965) in the current period 19,967

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the net increase in the early retirement payable. (15,912.)

Because income surtaxes will not be collected for several months after the district's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year. 97,834

Change in net assets of governmental activities \$ 212,277

=====

See notes to financial statements.

GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

	School Nutrition

Assets	
Cash and cash equivalents	\$ 2,129
Accounts receivable	586
Inventories	9,207

Total Assets	\$ 11,922

Liabilities	
Due to other funds	\$ 3,625

Total Liabilities	\$ 3,625

Net Assets	
Unrestricted	8,297

Total Net Assets	\$ 8,297
	=====

See notes to financial statements.

GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition
Operating Revenue	-----
Local sources:	
Charges for services	\$ 74,074

Operating Expenses	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	\$ 45,012
Benefits	17,666
Supplies	53,618

Total Operating Expenses	\$ 116,296

Operating Loss	\$ (42,222.)

Non-Operating Revenue	
State sources	\$ 1,730
Federal sources	45,130
Interest income	70

Total Non-Operating Revenue	\$ 46,930

Changes in Net Assets	\$ 4,708

Net Assets Beginning of Year	3,589

Net Assets End of Year	\$ 8,297
	=====

See notes to financial statements.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004**

	School Nutrition
Cash Flows From Operating Activities:	-----
Cash received from sale of lunches and breakfasts	\$ 73,832
Cash paid to employees for services	(62,678.)
Cash paid to suppliers for goods and services	(43,387.)

Net Cash Used by Operating Activities	\$ (32,233.)

Cash Flows From Noncapital Financing Activities:	
State grants received	\$ 1,730
Federal grants received	35,496
Decrease in interfund payable	(3,625.)

Net Cash Provided by Noncapital Financing Activities	\$ 33,601

Cash Flows From Capital and Related Financing Activities:	
None	\$ ---

Cash Flows From Investing Activities:	
Interest on investments	\$ 70

Net increase in cash and cash equivalents	\$ 1,438

Cash and Cash Equivalents Beginning of Year	691

Cash and Cash Equivalents End of Year	\$ 2,129
	=====
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating loss	\$ (42,222.)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	9,634
Decrease in inventories	596
Increase in accounts receivable	(241.)

Net Cash Provided by Operating Activities	\$ (32,233.)
	=====

Non-Cash Investing, Capital and Financing Activities:

During the year ended June 30, 2004, the District received \$9,634 of federal commodities.

See notes to financial statements.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 1 - Summary of Significant Accounting Policies:

The Garnavillo Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. 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, Garnavillo Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District' s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization' s governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Garnavillo Community School District has no component units that 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 Clayton County Assessor' s Conference Board.

B. Basis of Presentation

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

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are 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 and proprietary funds. 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.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

The District reports the following major governmental fund:

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

The District reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statements of cash flows, all short-term cash deposits 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, they have a maturity date no longer than three months. All District cash investments met the definition of cash equivalents at June 30, 2004.

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations, is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

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

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

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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.

Land		All
Buildings	\$	1,500
Improvements other than buildings		1,500
Furniture and Equipment:		
School Nutrition Fund equipment		1,500
Other furniture and equipment		1,500

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

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-20 years

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

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

Compensated Absences - School District employees accumulate sick leave and vacation for subsequent use. These accumulations are not recognized as expenditures by the District until used. The District's policy prohibits payoff of accumulated benefits at termination of employment. Consequently, no liability at June 30, 2004 has been accrued.

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

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

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

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

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted at the functional level or exceed the General Fund unspent authorized budget.

Note 2 - Cash and Pooled Investments:

The District' s deposits at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District has no investments meeting the disclosure requirements of Governmental Auditing Standard Board Statement Number 3.

Note 3 - Iowa School Cash Anticipation Program (ISCAP):

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 3 - Iowa School Cash Anticipation Program (ISCAP): (Continued)

flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District' s participation in ISCAP as of June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04B	01/30/04	01/28/05	\$ 371,513	\$ 2,021	\$ 369,000	\$ 3,065

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2002B	\$ 157,000	\$ ---	\$ 157,000	\$ ---
2003-04A	421,000	---	421,000	---
2003-04B	---	369,000	---	369,000
Total	\$ 578,000	\$ 369,000	\$ 578,000	\$ 369,000

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2002B	2.25%	1.392%
2003-04A	2.00%	1.050%
2003-04B	2.000%	1.310%

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 4 - Capital Assets:

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year as restated	Prior Period Adjustment	Increases	Decreases	Balance End of Year
	-----	-----	-----	-----	-----
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 149,470	\$ ---	\$ ---	\$ ---	\$ 149,470
	-----	-----	-----	-----	-----
Total capital assets not being depreciated	\$ 149,470	\$ ---	\$ ---	\$ ---	\$ 149,470
	-----	-----	-----	-----	-----
Capital assets being depreciated:					
Buildings	\$ 818,000	\$ ---	\$ 16,750	\$ 6,500	\$ 828,250
Furniture and equipment	619,114	311,857	63,182	22,592	971,561
	-----	-----	-----	-----	-----
Total capital assets being depreciated	\$ 1,437,114	\$ 311,857	\$ 79,932	\$ 29,092	\$ 1,799,811
	-----	-----	-----	-----	-----
Less accumulated depreciation for:					
Buildings	\$ 692,631	\$ ---	\$ 14,636	\$ 6,500	\$ 700,767
Furniture and equipment	287,435	293,696	45,329	22,592	603,868
	-----	-----	-----	-----	-----
Total accumulated depreciation	\$ 980,066	\$ 293,696	\$ 59,965	\$ 29,092	\$ 1,304,635
	-----	-----	-----	-----	-----
Total capital assets, being depreciated, net	\$ 457,048	\$ 18,161	\$ 19,967	\$ ---	\$ 495,176
	-----	-----	-----	-----	-----
Total governmental activities capital assets, net	\$ 606,518	\$ 18,161	\$ 19,967	\$ ---	\$ 644,646
	=====	=====	=====	=====	=====
Business-type activities:					
Furniture and equipment	\$ 78,007	\$ ---	\$ ---	\$ ---	\$ 78,007
Less accumulated depreciation	78,007	---	---	---	78,007
	-----	-----	-----	-----	-----
Business-type activities capital assets, net	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
	=====	=====	=====	=====	=====

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 4 - Capital Assets: (Continued)

Depreciation expense was charged to the governmental functions of the District as follows:

Governmental activities:	
Instruction:	
Regular instruction	\$ 6,818
Support services:	
Instructional staff support services	21,980
Operation and maintenance of plant services	134
Transportation services	6,803
Unallocated	24,230

Total depreciation	\$ 59,965
	=====
Business-type activities:	
Food services	\$ ---
	=====

Note 5 - Long-Term Liabilities:

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Early Retirement

Balance Beginning of Year	\$ 127,485
Increase due to GASB Interpretation #6	3,335
Additions	52,439
Reductions	(36,527.)

Balance End of Year	\$ 146,732
	=====

Early Retirement:

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible certified employee will be based on the employee' s salary in effect the last year of the employee' s employment with the School District, less supplemental pay or extended contract pay. Early retirement benefits paid during the year ended June 30, 2004 total \$56,527.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 6 - Pension and Retirement Benefits:

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by the state statute. The District' s contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$85,567, \$89,122, and \$91,179, respectively, equal to the required contributions for each year.

Note 7 - Risk Management:

Garnavillo 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 8 - Area Education Agency:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District' s actual amount for this purpose totaled \$77,212 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 9 - Due from and Due to Other Funds:

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Management	\$ 1,286
General	Proprietary Fund: School Nutrition	3,625
Management	General	15
Special Revenue: Physical Property, Plant and Equipment Levy	General	4,322

The Management Fund is repaying the General Fund for an insurance payment that should have come out of the Management Fund.

The School Nutrition Fund is repaying the General Fund for a previous debt. The balance remaining should be paid by June 30, 2005.

The General Fund is repaying the Physical Property, Plant and Equipment Levy Fund for an overpayment made by the Physical Property, Plant and Equipment Levy Fund to the General Fund in 2004.

Note 10 - Prior Period Adjustment:

As a result of implementing GASB Statement No. 34, the District determined that the capital assets of the governmental activities were understated. This adjustment adds these items and their related accumulated depreciation. This causes the total assets and the total net assets of the governmental activities to increase \$18,161.

Note 11 - Subsequent Event - District Merger:

On September 14, 2004, a vote was held which approved the merger of the Guttenberg Community School District with the Garnavillo Community School District. The new, merged district will be named Clayton Ridge Community School District and is effective July 1, 2005.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 12 - Accounting Change and Restatements:

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District' s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District' s programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund		
	General	Non-Major	Total
Net assets, June 30, 2003, as previous reported	\$ 648,877	\$ 191,672	\$ 840,549
GASB Interpretation No. 6 adjustments:			
Early retirement payable	---	3,335	3,335
Net Assets, June 30, 2003, as restated	\$ 648,877	\$ 195,007	\$ 843,884
GASB 34 adjustments:			
Capital assets, net			606,518
Long-term liabilities:			
Early retirement			(130,820.)
Net assets, as restated at July 1, 2003			\$ 1,319,582

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS)
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2004**

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Receipts:						
Local sources	\$ 2,080,314	\$ 73,903	\$ 2,154,217	\$ 2,232,629	\$ 2,232,629	\$ (78,412.)
Intermediate sources	9,505	---	9,505	3,000	3,000	6,505
State sources	797,659	1,730	799,389	835,719	835,719	(36,330.)
Federal sources	65,468	35,496	100,964	192,759	192,759	(91,795.)
	-----	-----	-----	-----	-----	-----
Total Receipts	\$ 2,952,946	\$ 111,129	\$ 3,064,075	\$ 3,264,107	\$ 3,264,107	\$ (200,032.)
	-----	-----	-----	-----	-----	-----
Disbursements:						
Instruction	\$ 1,998,638	\$ ---	\$ 1,998,638	\$ 2,393,736	\$ 2,393,736	\$ 395,098
Support services	857,969	---	857,969	896,749	896,749	38,780
Non-instructional program	---	109,691	109,691	122,720	122,720	13,029
Other expenditures	98,885	---	98,885	107,760	107,760	8,875
	-----	-----	-----	-----	-----	-----
Total Disbursements	\$ 2,955,492	\$ 109,691	\$ 3,065,183	\$ 3,520,965	\$ 3,520,965	\$ 455,782
	-----	-----	-----	-----	-----	-----
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (2,546.)	\$ 1,438	\$ (1,108.)	\$ (256,858.)	\$ (256,858.)	\$ 255,750
Other Financing Sources, Net	25,598	---	25,598	---	---	25,598
	-----	-----	-----	-----	-----	-----
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	\$ 23,052	\$ 1,438	\$ 24,490	\$ (256,858.)	\$ (256,858.)	\$ 281,348
Balances Beginning of Year	826,467	691	827,158	430,692	430,692	396,466
	-----	-----	-----	-----	-----	-----
Balances End of Year	\$ 849,519	\$ 2,129	\$ 851,648	\$ 173,834	\$ 173,834	\$ 677,814
	=====	=====	=====	=====	=====	=====

See accompanying independent auditor's report.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2004**

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 2,952,946	\$ 76,510	\$ 3,029,456
Expenditures	2,955,492	(36,124.)	2,919,368
Net	\$ (2,546.)	\$ 112,634	\$ 110,088
Other Financing Sources (Uses)	25,598	(25,298.)	300
Beginning Fund Balances	826,467	17,417	843,884
Ending Fund Balances	\$ 849,519	\$ 104,753	\$ 954,272

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 111,129	\$ 9,875	\$ 121,004
Expenditures	109,691	6,605	116,296
Net	\$ 1,438	\$ 3,270	\$ 4,708
Beginning Net Assets	691	2,898	3,589
Ending Net Assets	\$ 2,129	\$ 6,168	\$ 8,297

See accompanying independent auditor's report.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING**

YEAR ENDED JUNE 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund that may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2004, disbursements did not exceed the amount budgeted. The District did not exceed its General Fund unspent authorized budget.

SCHEDULE 1

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004**

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Management	Student Activity	Physical Plant and Equipment Levy	Capital Projects	
Assets					
Cash and pooled investments	\$ 38,723	\$ 19,212	\$ 97,377	\$ 17,176	\$ 172,488
Receivables:					
Property tax:					
Delinquent	1,551	---	1,647	---	3,198
Succeeding year	80,000	---	86,981	---	166,981
Accounts	---	---	---	---	---
Due from other funds	15	---	4,322	---	4,337
Due from other governments	---	4,902	---	5,035	9,937
Total Assets	\$ 120,289	\$ 24,114	\$ 190,327	\$ 22,211	\$ 356,941
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ ---	\$ ---	\$ 1,668	\$ ---	\$ 1,668
Due to other funds	1,286	---	---	---	1,286
Deferred revenue:					
Succeeding year property tax	80,000	---	86,981	---	166,981
Total Liabilities	\$ 81,286	\$ ---	\$ 88,649	\$ ---	\$ 169,935
Fund Balances:					
Unreserved fund balances	\$ 39,003	\$ 24,114	\$ 101,678	\$ 22,211	\$ 187,006
Total Liabilities and Fund Balances	\$ 120,289	\$ 24,114	\$ 190,327	\$ 22,211	\$ 356,941

See accompanying independent auditor's report.

SCHEDULE 2

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004**

	Special Revenue Funds				
	Management	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Total Nonmajor Governmental Funds
Revenues					
Local Sources:					
Local tax	\$ 78,673	\$ ---	\$ 87,581	\$ 22,211	\$ 188,465
Other	2,358	44,837	1,754	---	48,949
Total Revenues	\$ 81,031	\$ 44,837	\$ 89,335	\$ 22,211	\$ 237,414
Expenditures					
Current:					
Instruction:					
Regular instruction	\$ 1,729	\$ ---	\$ ---	\$ ---	\$ 1,729
Special instruction	1,051	---	---	---	1,051
Other instruction	---	47,990	---	---	47,990
Total Instruction	\$ 2,780	\$ 47,990	\$ ---	\$ ---	\$ 50,770
Support Services:					
Student services	\$ 555	\$ ---	\$ ---	\$ ---	\$ 555
Operation and maintenance of plant services	82,409	---	111,681	---	194,090
Total Support Services	\$ 82,964	\$ ---	\$ 111,681	\$ ---	\$ 194,645
Total Expenditures	\$ 85,744	\$ 47,990	\$ 111,681	\$ ---	\$ 245,415
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (4,713.)	\$ (3,153.)	\$ (22,346.)	\$ 22,211	\$ (8,001.)
Fund Balances Beginning of Year, as restated	43,716	27,267	124,024	---	195,007
Fund Balances End of Year	\$ 39,003	\$ 24,114	\$ 101,678	\$ 22,211	\$ 187,006

See accompanying independent auditor's report.

SCHEDULE 3

GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND,
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2004

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	-----	-----	-----	-----
Middle School Athletics	\$ 4,225	\$ 7,298	\$ 7,473	\$ 4,050
Middle School Football	467	408	---	875
Resale - VoAg	267	---	---	267
Flower Fund	163	255	414	4
Fun Night	1,066	6,612	6,150	1,528
Foreign Language Club	241	94	252	83
Library Club	1,724	2,311	2,470	1,565
Speech/Drama	(242.)	1,864	1,488	134
Student Council	2,099	2,624	2,338	2,385
"A" Team	53	5,840	4,854	1,039
Library Reading	10,871	15,941	20,040	6,772
Elementary Pop/Juice	2,015	1,324	2,191	1,148
Interest	3,472	266	---	3,738
Secondary Projects	846	---	320	526
	-----	-----	-----	-----
Total	\$ 27,267	\$ 44,837	\$ 47,990	\$ 24,114
	=====	=====	=====	=====

See accompanying independent auditor's report.

GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues				
Local Sources:				
Local tax	\$ 1,270,184	\$ 1,253,502	\$ 1,071,320	\$ 1,031,293
Tuition	129,544	341,012	429,618	402,125
Other	758,228	563,190	672,535	219,256
Intermediate Sources	9,505	6,534	2,949	13,652
State Sources	797,659	742,067	936,417	1,008,712
Federal Sources	64,336	133,896	76,921	31,672
	-----	-----	-----	-----
Total	\$ 3,029,456	\$ 3,040,201	\$ 3,189,760	\$ 2,706,710
	=====	=====	=====	=====
Expenditures				
Instruction:				
Regular instruction	\$ 1,475,383	\$ 1,385,207	\$ 1,368,584	\$ 1,059,418
Special instruction	424,400	458,956	478,220	559,750
Other instruction	100,256	115,358	157,387	310,245
Support Services:				
Student services	58,509	26,549	72,890	75,574
Instructional staff services	65,205	65,825	63,271	59,282
Administration services	264,456	287,752	296,242	250,410
Operation and maintenance				
of plant services	336,802	288,877	257,083	180,351
Transportation services	117,145	123,893	130,502	114,033
Other Expenditures:				
Facilities acquisition	---	---	---	41,464
AEA flowthrough	77,212	82,400	84,116	89,987
	-----	-----	-----	-----
Total	\$ 2,919,368	\$ 2,834,817	\$ 2,908,295	\$ 2,740,514
	=====	=====	=====	=====

See accompanying independent auditor's report.

**OTHER
SUPPLEMENTARY
INFORMATION**

**INDEPENDENT AUDITOR' S REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING**

To the Board of Education of the
Garnavillo Community School District

We have audited the financial statements of the Garnavillo Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 8, 2004. We conducted our audit in accordance with United States of America generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our report included an explanatory paragraph on the implementation on GASB Statements No. 34, 37, 38, and 41 and a disclaimer of opinion on the required supplementary information including Management' s Discussion and Analysis.

Compliance

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

Comments involving statutory and other legal matters about the District' s operations for the year ended June 30, 2004 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. Prior year statutory comments have all been resolved except for item II-A-04.

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-04 and I-B-04 are material weaknesses. These reportable conditions/material weaknesses were also noted in the prior year' s audit.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Garnavillo 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.

O' CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa
September 8, 2004

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004**

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We have noted the duties of one individual include: 1) preparation of checks, signing of checks, recording the transactions in the journals, and reconciling the bank statements; 2) receiving cash receipts, preparing the receipt, preparing the bank deposit, and recording the transactions in the journal.

Recommendation - We realize with the limited number of administrative employees, segregation of duties to eliminate incompatible duties is difficult. We also realize the job description, as defined by the Code of Iowa, of certain members of the administrative staff made the segregations even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually, and with each personnel change, to insure the best possible control climate is maintained.

Response - It is not feasible to hire additional personnel, however, we will constantly try to increase our overview and supervision in this area as much as possible.

Conclusion - Response accepted.

I-B-04 Fixed Assets - Fixed assets were not periodically counted and reconciled to the fixed asset listing by an independent person. The fixed asset listing is not being updated on a timely basis.

Recommendation - To provide additional control over the proper recording of fixed assets, fixed assets should be periodically counted and reconciled to the fixed asset listing by a person who does not have custody of the fixed assets. We are recommending the Board consider hiring an outside firm to track District fixed assets.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004**

Part I: Findings Related to the Financial Statements: (Continued)

Reportable Conditions: (Continued)

Response - We will perform an independent count and reconciliation of the fixed assets when the merger of the District with Guttenberg is completed.

Conclusion - Response accepted.

I-C-04 Reconciliation to General Ledger - As part of our audit procedures, we compare reconciliations of cash balances to those balances recorded in the general ledger. During these procedures, we noted that in two funds (General and Management), the amount in the general ledger did not agree with the reconciliations.

Recommendation - While the amount of variances were not considered material to the financial statements, we recommend that these comparisons be made monthly and any adjustments to the general ledger be made at that time.

Response - We will perform these procedures as recommended.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-04 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were exceeded during the year ended June 30, 2004.

Recommendation - The district should review the maximum deposits allowed for the official depositories to determine if the limit needs to be increased.

Response - We will increase the depository limit.

Conclusion - Response accepted.

II-B-04 Certified Budget - Disbursements for the year ended June 30, 2004 did not exceed the amount budgeted in any functional area.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004**

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

- II-C-04 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General' s opinion dated April 25, 1979.
- II-D-04 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.
- II-E-04 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-F-04 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.
- II-G-04 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-04 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-I-04 Deposits and Investments - We noted 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.
- II-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted some variances in the amount reported. While most variances were immaterial, one material variance was noted. The District did not report ending accumulated depreciation. It is our understanding that the Department of Education has contacted the District concerning this discrepancy and that this material variance has been corrected.

Recommendation - The District should review the Certified Annual Report and compare account balances on the report with account balances reported in the general ledger. Material discrepancies should be resolved with the Department of Education. Immaterial discrepancies should be corrected as auditor' s adjustment on the subsequent fiscal year Certified Annual Report.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004**

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

Response - In the future we will be more diligent in our preparation of the Certified Annual Report. We have contacted the Department of Education concerning the material variance, and have corrected it. We will book the net effect of the remaining immaterial variances as an auditor adjustment on next year' s Certified Annual Report. The total net adjustment will be to increase the total fund balance by \$1,621.

Conclusion - Response accepted.

II-K-04 Authorized Signers - The bank had an individual as an authorized signer who was not authorized per the board secretary, at June 30, 2004.

Recommendation - The board secretary should contact the bank and inform them to remove the individual who is no longer an authorized signer.

Response - We will contact the bank on this matter.

Conclusion - Response accepted.