

GEORGE - LITTLE ROCK COMMUNITY SCHOOL DISTRICT

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

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**GEORGE - LITTLE ROCK COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
<b>Board of Education Elected in 2002 for new School District</b>		
Warren Tiedeman	President	2005
Roger Jurens	Vice President	2006
Kory Hayenga	Board Member	2005
Amy Jurens	Board Member	2004
Donnell Nagle	Board Member	2004
<b>School Officials</b>		
Joanne Smith	Superintendent	Indefinite
Delinda Kruger	District Secretary/Treasurer and Business Manager	Indefinite
Thomas Whorley	Attorney	Indefinite

*Dan Heard, CPA*  
*David O. Halse, CPA*  
*Kyle Ebel, CPA*  
*Aleene Williams, CPA*

*Telephone 712-472-4011*  
*Fax 712-472-4014*

**WELLS HEARD HALSE & CO.**  
Certified Public Accountants  
710 SOUTH UNION STREET, P.O. BOX 108  
**ROCK RAPIDS, IOWA 51246**

Independent Auditors' Report

To the Board of Education of the  
George - Little Rock 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 George - Little Rock Community School District, George and Little Rock, Iowa, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 opinion.

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

As discussed in Note 11 to the financial statements, during the year ended June 30, 2004, George - Little Rock Community School District adopted Governmental Accounting Standard Board Statement Number 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement Number 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Omnibus; Statement Number 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 Governmental Auditing Standards, we have also our reports dated November 23, 2004 on our consideration of the George - Little Rock Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 15 and 38 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 performed for the purpose of forming an opinion on the financial statements that collectively comprise George - Little Rock Community School District's basis financial statements. We previously audited the individual Districts that merged this year, in accordance with the standards referred to in the second paragraph of this report, the general-purpose 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 supplemental information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the 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 financial statements taken as a whole.

Wells Heard Halse & Co.

November 23, 2004

## Management Discussion and Analysis

George - Little Rock Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

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. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### **2004 Financial Highlights**

- The District merged at the beginning of the School year the General Fund revenues combined from the prior two school districts was \$4,237,470 in fiscal year 2003, the combined school district decreased to \$3,511,981 in fiscal year 2004, while General Fund expenditures decreased from \$4,287,242 in fiscal year 2003 to \$3,765,456 in fiscal 2004. The District's General Fund balance decreased from \$742,606 in fiscal 2003 to \$488,541, a 32% decrease.
- The decrease in General Fund revenues was attributable to a decrease in state revenue in fiscal 2004. The decrease in expenditures was due primarily to a decrease in number of teachers. One reason the General Fund balance decreased is because of decrease in State Foundation Aid in October 2003.
- A decline in interest rates and reduction in investments resulted in interest earnings in the General Fund alone to decrease from \$ 23,052 in fiscal year 2003 to \$14,288 in fiscal year 2004.
- A successful election was held August 12, 2003 to adopt the local option sales and services tax (SILO) which became effective January 1, 2004. Future revenues collected from SILO will be saved for future additions needed by the school district.

### **Using this Annual Report**

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of George - Little Rock Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report George -

Little Rock Community School District’s operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which George - Little Rock Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District’s budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

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

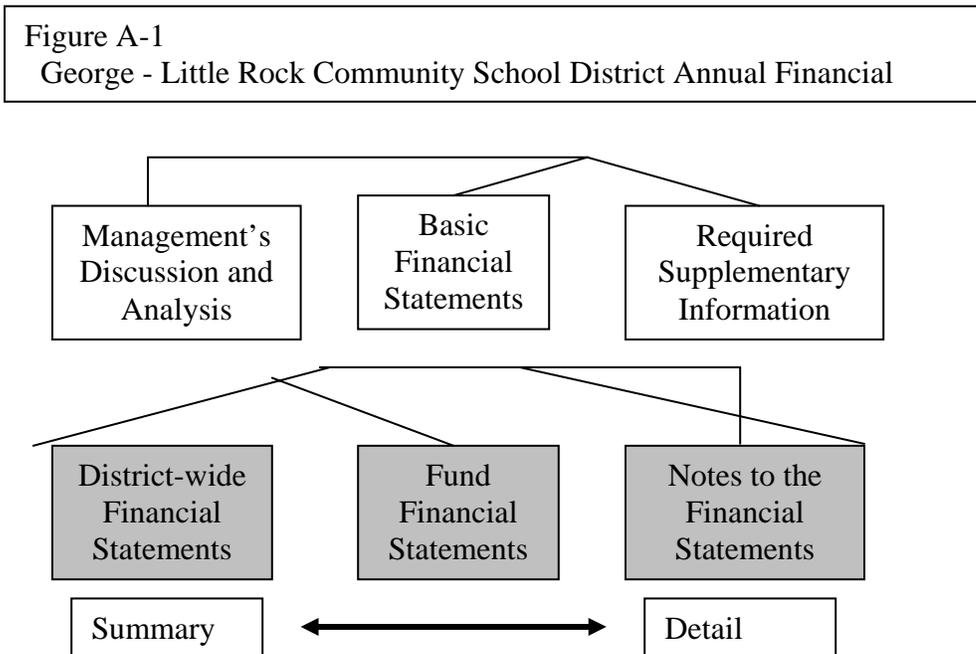


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2: Major Features of the District Wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	
Scope	Entire district	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	
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, expenditures, and changes in fund net assets</li> <li>• Statement of cash flows</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	
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	
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial 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 financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating. 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 building and other facilities, need to be considered.

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

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

### Fund Financial Statements

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to repay 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.

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

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

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

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

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

## Government-wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)								
	Governmental Activities		Business type Activities		Total Activities		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2004	2003	2004	2003	2004	2003	2003-2004	
Current and other assets	\$ 2,604	\$ 2,808	\$ 32	\$ 15	\$ 2,636	\$ 2,823	(6.62%)	
Capital assets	3,680	3,730	14	16	3,694	3,746	(1.39%)	
Total assets	6,284	6,538	46	31	6,330	6,569	(3.64%)	
Long-term Liabilities	18	44	-	-	18	44	(59.09%)	
Other Liabilities	1,889	1,867	9	9	1,898	1,876	1.2%	
Total Liabilities	1,907	1,911	9	9	1,916	1,920	(0.21%)	
Net Assets								
Invested in capital assets, net of related debt	3,662	3,730	14	16	3,676	3,746	(1.87%)	
Restricted	274	179			274	179	53.1%	
Unrestricted	442	718	23	6	465	724	(35.77%)	
Total net assets	<u>\$ 4,378</u>	<u>\$ 4,627</u>	<u>\$ 37</u>	<u>\$ 22</u>	<u>\$ 4,415</u>	<u>\$ 4,649</u>	<u>(5.03%)</u>	

The District's combined net assets decreased by over 5 percent or approximately \$266,000 over the prior year. The largest portion of the District's net assets is the invested in capital assets less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restrict net assets increased approximately \$95,000 or 53% over the prior year. The increase was primarily a result of receipts from the local option sales and services taxes.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or the legal requirements – increased approximately \$259,000 or 35.8 percent. This decrease in unrestricted net assets was a result of reduction of income the past year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

Figure A-4 Changes in Net Assets (Expressed in Thousands)			
	Governmental Activities	Business-type Activities	Total School District
Revenue			
Program revenue:			
Charges for service	\$ 321	\$ 103	\$ 424
Operating grants, contributions and restricted interest	492	81	573
Capital grants, contributions and restricted interest	27	-	27
General revenues:			
Property tax	1,636	-	1,636
Local option sales and service tax	50	-	50
Unrestricted state grants	1,601	-	1,601
Other	43	-	43
Total revenues	4,170	184	4,354
Program expenses:			
Governmental activities:			
Instruction	2,846	-	2,846
Support service	1,302	-	1,302
Non-instructional programs	-	169	169
Other expenses	307	-	307
Total expenses	4,455	169	4,624
Change in net assets	\$ (285)	\$ 15	\$ (270)

Property tax and unrestricted state grants account for 75.5 percent of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89.7 percent of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$4,170,000 and expenses were \$4,455,000. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

	Total Cost of Services	Net Cost of Services
Instruction	\$ 2,846	\$ 2,201
Support services	1,302	1,280
Non-instructional programs	-	-
Other expenses	307	133
Totals	<u>\$ 4,455</u>	<u>\$ 3,614</u>

- The cost financed by users of the District's programs was \$320,962.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$492,043.
- The net cost of governmental activities was financed with \$1,686,118 in property and other taxes and \$1,601,207 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities were \$183,607 and expenses were \$168,946. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$715,826, well below last year's ending fund balances of \$896,772. The primary reason for the decrease in combined fund balances in fiscal 2004 is due to staff and other costs with the merger of the two districts this past year.

### **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the result of many factors. Decreases in student enrollments resulted in a decrease in revenues
- The General Fund balance decreased from \$743,606 to \$488,541, due in part to the increases in expenditures in the last year.
- The Physical Plant and Equipment Levy (PEEL) Fund balance increased from \$78,376 in fiscal 2003 to \$101,302 in fiscal 2004. While revenues remained approximately the same, the District substantially reduced spending from the PEEL Fund in order to improve the financial condition of the fund.
- The Public Education Recreation Levy (PERL) Fund balance increased from \$13,974 in fiscal 2003 to \$20,886. While revenues remained approximately the same, the District reduced spending from the PERL Fund in order to improve the financial condition of the fund.
- The Capital Projects Fund balance increased due to the Local Option Sales Tax revenue collected during 2004. The District ended fiscal 2003 with a \$0 balance and ended fiscal 2004 ended with a balance of \$50,335. The fund will be use to pay for future construction projects.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$22,327 at June 30, 2003 to \$37,214 at June 30, 2004, representing increase of approximately 66%.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$27,297 more than budgeted receipts, with a variance of 1.3%. The most significant variance resulted from the District receiving several federal grants for the various programs.

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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2004, the District had invested \$3.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 3.2% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$255,503.

The original cost of the District's capital assets was \$10.5 million. Governmental funds account for \$10.46 million, with the remainder of \$0.04 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category.

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Land	\$ 53	\$ 53	\$ -	\$ -	\$ 53	\$ 53	0.00%
Construction in progress	-	-	-	-	-	-	0.00%
Buildings	3,070	3,147	-	-	3,070	3,147	(2.45%)
Improvements other than buildings	45	54	-	-	45	54	(16.67%)
Furniture and Equipment	512	546	14	16	526	562	(6.41%)
Totals	<u>\$ 3,680</u>	<u>\$ 3,800</u>	<u>\$ 14</u>	<u>\$ 16</u>	<u>\$ 3,694</u>	<u>\$ 3,816</u>	<u>(3.20%)</u>

### Long-Term Debt

At June 30, 2004, the District had \$18,000 in other long-term debt outstanding. This represents a decrease of approximately 48% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

	Total School District		Total Change
	June 30,		June 30,
	2004	2003	2003-2004
Notes Payable	18,000	35,000	(48.571%)
Totals	<u>\$ 18,000</u>	<u>\$ 35,000</u>	<u>(48.571%)</u>

## **Economic Factors Bearing on the District's Future**

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

- The financial history of the State of Iowa's support for public K-12 schools has translated into restricted levels of state aid funding for education at the local level. Future needs of the district will continue to grow and it is hoped that allowable growth would match the needs of public K-12 education.
- District enrollment increased in fiscal year 2003-2004 by 2 students to a budget enrollment of 499. Under Iowa's school finance formula, funding is highly dependent upon enrollment. During the 2003-2004 school year, George - Little Rock students who open enroll out to other districts increased by 1 student, from 25 to 26. Because George - Little Rock is the resident district, the student is counted for state funding, but then funding is paid to the receiving district. Future enrollment stability is a critical element in maintaining a sound financial foundation.

## **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and 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 Delinda Kruger, Board Secretary/Business Manager at the George - Little Rock Community School District, 500 E. Indiana Ave., George, IA 51237 or 712-475-3311.

## **BASIC FINANCIAL STATEMENTS**

George - Little Rock Community School District  
Statement of Net Assets  
June 30, 2004

Exhibit A

	Governmental Activities	Business Type Activities	Totals
<b>Assets</b>			
Cash and cash equivalents:			
Other	\$ 944,936	\$ 21,378	\$ 966,314
Receivables:			
Property tax:			
Delinquent	19,160	-	19,160
Succeeding year	1,530,833	-	1,530,833
Local option sales taxes	12,225		12,225
Accounts	21,818	-	21,818
Prepaid expenses	36,345	1,200	37,545
Due from other governments	38,949		38,949
Inventories	-	9,442	9,442
Capital assets, net of accumulated depreciation	3,679,749	14,163	3,693,912
<b>Total assets</b>	<b>6,284,015</b>	<b>46,183</b>	<b>6,330,198</b>
<b>Liabilities</b>			
Accounts payable	31,992	-	31,992
Salaries and benefits payable	325,615	8,969	334,584
Accrued interest payable	120		120
Deferred revenue - succeeding year property tax	1,530,833		1,530,833
Long-term liabilities:			
Portion due within one year:			
Note payable	18,000		18,000
<b>Total liabilities</b>	<b>\$ 1,906,560</b>	<b>\$ 8,969</b>	<b>\$ 1,915,529</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	\$ 3,661,749	\$ 14,163	\$ 3,675,912
Restricted for:			
Prepaid expense	36,345		36,345
Management levy	570		570
Physical plant and equipment levy	122,068		122,068
Other special revenue purposes	54,192		54,192
Capital projects	50,335		50,335
Other	10,477		10,477
Unrestricted	441,719	23,051	464,770
<b>Total net assets</b>	<b>\$ 4,377,455</b>	<b>\$ 37,214</b>	<b>\$ 4,414,669</b>

See notes to financial statements.

George - Little Rock Community School District  
Statement of Activities  
June 30, 2004

Exhibit B

	Program Revenues			
	Expenses	Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
<b>Functions/Programs</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,978,318	\$ 70,893	\$ 189,596	\$ -
Special instruction	571,727	27,277	124,700	
Other instruction	295,527	219,293	13,078	
	<u>2,845,572</u>	<u>317,463</u>	<u>327,374</u>	<u>-</u>
Support services:				
Student services	48,851		17,127	
Instructional staff services	131,031			
Administration Services	631,910		-	
Operation and maintenance of plant services	253,210	2,917		-
Transportation services	236,799	582	955	
	<u>1,301,801</u>	<u>3,499</u>	<u>18,082</u>	<u>-</u>
Non-instructional programs				
Other expenditures:				
Facilities acquisition	151,928			27,109
Long-term debt interest	120			
AEA flow-through	146,587		146,587	
Depreciation (unallocated)*	8,526			
	<u>307,161</u>	<u>-</u>	<u>146,587</u>	<u>27,109</u>
Total governmental activities	4,454,534	320,962	492,043	27,109
Business type activities:				
Non-instructional programs:				
Food service operations	168,946	102,668	80,939	
Total	<u>\$ 4,623,480</u>	<u>\$ 423,630</u>	<u>\$ 572,982</u>	<u>\$ 27,109</u>

**General Revenues:**

Property tax levied for:  
  General purposes  
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,  
  as restated  
Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ (1,717,829)		\$ (1,717,829)
(419,750)		(419,750)
(63,156)		(63,156)
<u>(2,200,735)</u>	-	<u>(2,200,735)</u>
(31,724)		(31,724)
(131,031)		(131,031)
(631,910)		(631,910)
(250,293)		(250,293)
(235,262)		(235,262)
<u>(1,280,220)</u>	-	<u>(1,280,220)</u>
-		-
(124,819)		(124,819)
(120)		(120)
-		-
(8,526)		(8,526)
<u>(133,465)</u>	-	<u>(133,465)</u>
<u>(3,614,420)</u>	-	<u>(3,614,420)</u>
-	14,661	14,661
<u>(3,614,420)</u>	<u>14,661</u>	<u>(3,599,759)</u>
1,635,783		1,635,783
50,335		50,335
1,601,207		1,601,207
14,288	226	14,514
29,128		29,128
<u>3,330,741</u>	<u>226</u>	<u>3,330,967</u>
(283,679)	14,887	(268,792)
4,661,134	22,327	4,683,461
<u>\$ 4,377,455</u>	<u>\$ 37,214</u>	<u>\$ 4,414,669</u>

George – Little Rock Community School District  
Balance Sheet – Governmental Funds  
June 30, 2004

<b>Assets</b>	General	Capital Projects	Nonmajor Special Revenue	Total
Cash and pooled investments:				
Other	\$ 713,020	\$ 38,110	\$ 193,806	\$ 944,936
Receivables:				
Property tax:				
Delinquent	15,264	-	3,896	19,160
Succeeding year	1,234,355	-	296,478	1,530,833
Local option sales taxes	-	12,225	-	12,225
Accounts	21,818	-	-	21,818
Prepaid Expenses	36,345	-	-	36,345
Due from other governments	38,949	-	-	38,949
Total assets	<u>2,059,751</u>	<u>50,335</u>	<u>494,180</u>	<u>2,604,266</u>
 <b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	11,536	-	20,456	31,992
Salaries and benefits payable	325,319	-	296	325,615
Deferred revenue:				
Succeeding year property tax	1,234,355	-	296,478	1,530,833
Total liabilities	<u>1,571,210</u>	<u>-</u>	<u>317,230</u>	<u>1,888,440</u>
Fund balances:				
Reserved for Prepaid Expenses	36,345			36,345
Reserve Other	10,477			10,477
Unreserved	441,719	50,335	176,950	669,004
Total fund balances	<u>488,541</u>	<u>50,335</u>	<u>176,950</u>	<u>715,826</u>
Total liabilities and fund balances	<u>\$ 2,059,751</u>	<u>\$ 50,335</u>	<u>\$ 494,180</u>	<u>\$ 2,604,266</u>

See notes to financial statements.

George - Little Rock Community School District  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets  
June 30, 2004

Exhibit D

<b>Total fund balances of governmental funds (page 20)</b>	\$ 715,826
Amounts reported for governmental activities in the Statements 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.	3,679,749
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	-
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.	(120)
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(18,000)</u>
<b>Net assets of governmental activities (page 19)</b>	<u><u>\$ 4,377,455</u></u>

See notes to financial statements.

George - Little Rock Community School District  
Statement of Revenues, Expenditures and Changes in  
Fund Balances - Governmental Funds  
June 30, 2004

Exhibit E

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 1,305,334	\$ -	\$ 50,335	\$ 330,449	\$ 1,686,118
Tuition	78,793	-	-	-	78,793
Other	34,142	-	-	250,860	285,002
Intermediate sources	-	-	-	-	-
State sources	1,913,982	-	-	27,320	1,941,302
Federal sources	179,640	-	-	-	179,640
<b>Total Revenues</b>	<b>3,511,891</b>	<b>-</b>	<b>50,335</b>	<b>608,629</b>	<b>4,170,855</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular instruction	1,616,003	-	-	222,849	1,838,852
Special instruction	571,727	-	-	-	571,727
Other instruction	292,522	-	-	-	292,522
	<b>2,480,252</b>	<b>-</b>	<b>-</b>	<b>222,849</b>	<b>2,703,101</b>
Support services:					
Student services	48,851	-	-	-	48,851
Instructional staff services	74,441	-	-	1,400	75,841
Administration Services	581,880	-	-	46,760	628,640
Operation and maintenance of plant services	240,452	-	-	10,251	250,703
Transportation services	193,493	-	-	-	193,493
	<b>1,139,117</b>	<b>-</b>	<b>-</b>	<b>58,411</b>	<b>1,197,528</b>
Non-instructional programs					
Other expenditures:					
Facilities acquisition	-	-	-	287,585	287,585
Long-term debt interest	-	17,000	-	-	17,000
AEA flow-through	146,587	-	-	-	146,587
	<b>146,587</b>	<b>17,000</b>	<b>-</b>	<b>287,585</b>	<b>451,172</b>
<b>Total expenditures</b>	<b>3,765,956</b>	<b>17,000</b>	<b>-</b>	<b>568,845</b>	<b>4,351,801</b>
Excess (deficiency) of revenues over (under) expenditures	<b>(254,065)</b>	<b>(17,000)</b>	<b>50,335</b>	<b>39,784</b>	<b>(180,946)</b>
Other financing sources (uses):					
Operating transfers in	-	17,000	-	-	17,000
Operating transfers out	-	-	-	(17,000)	(17,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>17,000</b>	<b>-</b>	<b>(17,000)</b>	<b>-</b>
<b>Net Change in fund balances</b>	<b>(254,065)</b>	<b>-</b>	<b>50,335</b>	<b>22,784</b>	<b>(180,946)</b>
Fund balances beginning of year, as restated (note 11)	742,606	-	-	154,166	896,772
<b>Fund balances end of year</b>	<b>\$ 488,541</b>	<b>\$ -</b>	<b>\$ 50,335</b>	<b>\$ 176,950</b>	<b>\$ 715,826</b>

See notes to financial statements.

George - Little Rock 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, 2004

Exhibit F

<b>Net change in fund balance - total governmental funds (page 22)</b>	\$	(180,946)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:</p>		
Expenditures for capital assets	135,657	
Depreciation expense	<u>(255,503)</u>	(119,846)
<p>Certain delinquent property tax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.</p>		
		-
<p>Proceeds from issuing long-term liabilities provided current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:</p>		
Issued	-	
Repaid	<u>17,000</u>	17,000
<p>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, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
		113
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds, as follows:</p>		
Early retirement	-	
Compensated absences	<u>-</u>	<u>-</u>
<b>Change in net assets of governmental activities (page 19)</b>	<b>\$</b>	<b><u><u>(283,679)</u></u></b>

See notes to financial statements.

George - Little Rock Community School District      Exhibit G  
Statement of Net Assets  
Proprietary Fund  
June 30, 2004

	School Nutrition
<b>Assets</b>	
Cash and cash equivalents	\$ 21,378
Accounts receivable	
Inventories	9,442
Prepaid Expenses	1,200
Capital assets, net of accumulated depreciation	14,163
<b>Total assets</b>	<b>46,183</b>
 <b>Liabilities</b>	
Accounts payable	
Due to other funds	-
Salaries and benefits payable	8,969
<b>Total Liabilities</b>	<b>8,969</b>
 <b>Net Assets</b>	
Invested in capital assets, net of related debt	14,163
Unrestricted	23,051
<b>Total net assets</b>	<b>\$ 37,214</b>

See notes to financial statements.

George - Little Rock Community School District  
Statement of Revenues, Expenses and Changes in  
Fund Net Assets - Proprietary Fund  
June 30, 2004

Exhibit H

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 102,668
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	73,607
Benefits	9,854
Purchased services	1,029
Supplies	82,269
Property	-
Depreciation	2,187
Total operating expenses	168,946
Operating loss	(66,278)
Non-operating revenues:	
State sources	2,834
Federal sources	78,105
Interest Income	226
Total non-operating revenues	81,165
Change in net assets	14,887
Net assets beginning of year	22,327
Net assets end of year	\$ 37,214

See notes to financial statements.

George - Little Rock Community School District  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2004

EXHIBIT I

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 102,668
Cash paid to employees for services	(83,457)
Cash paid to supplies for goods or services	(67,028)
Net cash used by operating activities	(47,817)
Cash flows from non-capital financing activities:	
State grants received	2,834
Federal grants received	60,297
Net cash provided by non-capital financing activities	63,131
Cash flows from capital and related financing activities:	
Sale of capital assets	-
Acquisition of capital assets	-
Net cash used by capital and related financing activities	-
Cash flows from investing activities:	
Interest on Investments	226
Net increase in cash and cash equivalents	15,540
Cash and cash equivalents beginning of year	5,838
Cash and cash equivalents end of year	\$ 21,378
<b>Reconciliation of operating loss to net cash used by operating activities</b>	
Operating Loss	\$ (66,278)
Adjustments to reconcile operating loss to net cash used by operating activities	
Commodities used	20,325
Depreciation	2,187
Increase in inventories	(4,055)
Increase in prepaid expenses	(363)
Increase in salaries and benefits payable	6,367
(Decrease) in due to other governments	(6,000)
Net cash used by operating activities	\$ (47,817)

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received \$17,808 of federal commodities.

See notes to financial statements.

**GEORGE - LITTLE ROCK COMMUNITY SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2004**

**(1) Summary of Significant Accounting Policies**

The George - Little Rock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. 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 George, Little Rock and Boyden, Iowa and the predominately agricultural territory in Lyon, Sioux and Osceola Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, George - Little Rock Community School District has included all funds, organizations, account groups, 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 George - Little Rock Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

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.

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.

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

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

The District reports the following major governmental funds:

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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, 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 the District receives cash.

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

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

Proprietary funds distinguish operating revenues and expenses from 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.

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% 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.

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

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

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

Asset Class	Amount
Land	\$ 300
Buildings	300
Improvements other than buildings	300
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	300
	Estimated Useful Lives
Asset Class	(in Years)
Buildings	100 years
Improvements other than buildings	15 - 50 years
Furniture and equipment:	3 - 15 years

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.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 as well as property tax receivable and other receivables not collected within sixty days after year-end.

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

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

reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the instruction and support services functional areas exceeded the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

The District's deposits in banks 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.

(3) **Due From and Due to Other Funds**

There were no interfund receivables and payables at June 30, 2004.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from:</u>	<u>Amount</u>
Debt Service	Physical Plant and Equipment Levy	\$ 17,000
		<u>\$ 17,000</u>

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

**(5) Capital Assets**

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

	Balance Beginning of Year, as restated (Note 11)	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 52,776			\$ 52,776
Construction in progress	-			-
Total capital assets not being depreciated	<u>52,776</u>	-	-	<u>52,776</u>
Capital assets being depreciated:				
Buildings	9,261,764	35,000		9,296,764
Improvements other than buildings	106,070			106,070
Furniture and equipment	854,081	100,657		954,738
Total capital assets being depreciated	<u>10,221,915</u>	<u>135,657</u>	-	<u>10,357,572</u>
Less accumulated depreciation for:				
Buildings	6,114,883	111,548		6,226,431
Improvements other than buildings	52,446	8,526		60,972
Furniture and equipment	307,767	135,429		443,196
Total accumulated depreciation	<u>6,475,096</u>	<u>255,503</u>	-	<u>6,730,599</u>
Total capital assets being depreciated, net	<u>3,746,819</u>	<u>(119,846)</u>	-	<u>3,626,973</u>
Governmental activities capital assets, net	<u>\$ 3,799,595</u>	<u>\$ (119,846)</u>	<u>\$ -</u>	<u>\$ 3,679,749</u>
<b>Business type activities:</b>				
Furniture and equipment	\$ 39,221			\$ 39,221
Less accumulated depreciation	(22,871)	(2,187)		(25,058)
Business type activities capital assets, net	<u>\$ 16,350</u>	<u>\$ (2,187)</u>	<u>\$ -</u>	<u>\$ 14,163</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:		
Regular		139,466
Special		-
Other		3,005
Support services:		
Instructional staff		55,190
Administration		3,270
Operation and maintenance of plant		2,740
Transportation		43,306
		<u>246,977</u>
Unallocated		8,526
Total depreciation expense - governmental activities		<u>\$ 255,503</u>

Business type activities:

Food service operations		<u>\$ 2,187</u>
-------------------------	--	-----------------

**6) Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2004, is as follows:

**LONG - TERM LIABILITIES**

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Notes Payable	\$ 35,000		\$ 17,000	\$ 18,000	\$ 18,000
Total	<u>\$ 35,000</u>	<u>\$ -</u>	<u>\$ 17,000</u>	<u>\$ 18,000</u>	<u>\$ 18,000</u>

Details of the District's June 30, 2004, long-term indebtedness is as follows:

Year Ending June 30,	Capital Loan Note Series - 2001			
	Interest Rate	Principal	Interest	Total
2005	4.000%	\$18,000	\$720	\$ 18,720
Total		<u>\$18,000</u>	<u>\$720</u>	<u>\$18,720</u>

During the year ended June 30, 2004, the District made principal and interest payments totaling \$1,400 under the agreements.

**(7) Merged School Districts**

Effective July 1, 2003 the school districts of George and Little Rock merged to form one school district called George – Little Rock Community School District. The beginning balances are the combined ending balances for the two former individual school districts.

**(8) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit 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, IA, 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 payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$135,363, \$140,053 and \$126,408 respectively, equal to the required contributions for each year.

**(9) Risk Management**

George - Little Rock 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.

**(10) 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 \$146,587 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.

**(11) 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 compensated absence and 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



## **Required Supplementary Information**

George - Little Rock Community School District  
 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 Funds Actual
	<u>Actual</u>	<u>Actual</u>
Receipts:		
Local Sources	\$ 2,068,057	\$ 102,894
Intermediate sources	-	-
State sources	1,916,870	2,834
Federal sources	179,640	60,297
Total receipts	<u>4,164,567</u>	<u>166,025</u>
Disbursements:		
Instruction	2,682,063	-
Support services	1,197,528	-
Non-instructional programs	-	150,485
Other expenditures	494,981	-
Total disbursements	<u>4,374,572</u>	<u>150,485</u>
Deficiency of receipts under disbursements	(210,005)	15,540
Other financing sources, net	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(210,005)	15,540
Balances beginning of year	<u>1,154,941</u>	<u>5,838</u>
Balances end of year	<u>\$ 944,936</u>	<u>\$ 21,378</u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
\$ 2,170,951	\$ 2,143,654	\$ 2,143,654	\$ 27,297
-	-	-	-
1,919,704	1,967,664	1,967,664	(47,960)
239,937	286,000	286,000	(46,063)
<u>4,330,592</u>	<u>4,397,318</u>	<u>4,397,318</u>	<u>(66,726)</u>
2,682,063	2,831,165	2,780,284	(98,221)
1,197,528	1,198,500	1,125,000	72,528
150,485	168,500	175,000	(24,515)
494,981	407,119	525,000	(30,019)
<u>4,525,057</u>	<u>4,605,284</u>	<u>4,605,284</u>	<u>(80,227)</u>
(194,465)	(207,966)	(207,966)	13,501
-	-	-	-
(194,465)	(207,966)	(207,966)	13,501
<u>1,160,779</u>	<u>957,253</u>	<u>957,253</u>	<u>203,526</u>
<u>\$ 966,314</u>	<u>\$ 749,287</u>	<u>\$ 749,287</u>	<u>\$ 217,027</u>

George – Little Rock Community School District  
 Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2004

	Government Funds		
	Cash	Accrual	Modified
	Basis	Adjustments	Accrual Basis
Revenues	\$ 4,164,567	\$ 6,288	\$ 4,170,855
Expenditures	4,374,572	(22,770)	4,351,802
Net	(210,005)	29,058	(180,947)
Other financing sources, net	-	-	-
Beginning fund balances	1,154,941	258,168	1,413,109
Ending fund balances	\$ 944,936	\$ 287,226	\$ 1,232,162
	Proprietary Fund		
	Enterprise		
	Cash	Accrual	Modified
	Basis	Adjustments	Accrual Basis
Revenues	\$ 166,025	\$ 17,808	\$ 183,833
Expenditures	150,485	18,462	168,947
Net	15,540	(654)	14,886
Beginning fund balances	5,838	16,490	22,328
Ending fund balances	\$ 21,378	\$ 15,836	\$ 37,214

See accompanying independent auditor's report.

George – Little Rock Community School District  
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 except 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 cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year-end.

Forma 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 may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment to reclassify budgeted amounts but did not increase any expenditures.

During the year ended June 30, 2004, disbursements in the support services functions exceeded the amounts budgeted but the District did not exceed its General Fund unspent authorized budget.

**George – Little Rock Community School District**

## **Other Supplementary Information**

George - Little Rock Community School District  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2004

Schedule 1

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Public Education Recreation Levy	Total
<b>Assets</b>					
Cash and cash Equivalents:					
Cash	\$ 72	\$ 44,017	\$ 118,614	\$ 20,928	\$ 183,631
Investments	-	10,175	-	-	10,175
Receivables:					
Property tax:					
Delinquent	498		3,144	254	3,896
Succeeding year	66,000	-	213,240	17,238	296,478
<b>Total assets</b>	<b>66,570</b>	<b>54,192</b>	<b>334,998</b>	<b>38,420</b>	<b>494,180</b>
<b>Liabilities and Fund Equity</b>					
Liabilities:					
Accounts payable	-	-	2,456	-	2,456
Salaries and benefits payable	-	-		296	296
Loan payable	-	-	18,000	-	18,000
Deferred revenue - succeeding year					
Property tax	66,000	-	213,240	17,238	296,478
<b>Total liabilities</b>	<b>66,000</b>	<b>-</b>	<b>233,696</b>	<b>17,534</b>	<b>317,230</b>
Fund equity:					
Unreserved fund balances	570	54,192	101,302	20,886	176,950
<b>Total liabilities and fund equity</b>	<b>\$ 66,570</b>	<b>\$ 54,192</b>	<b>\$ 334,998</b>	<b>\$ 38,420</b>	<b>\$ 494,180</b>

See accompanying independent auditor's report.

George - Little Rock Community School District  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
Year ended June 30, 2004

Schedule 2

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Public Education Recreation Levy	Total
Revenues:					
Local sources:					
Local tax	\$ 39,812	\$ -	\$ 270,365	\$ 20,272	\$ 330,449
Other	2	219,808	31,046	4	250,860
State sources	27	-	27,279	14	27,320
Total revenues	<u>39,841</u>	<u>219,808</u>	<u>328,690</u>	<u>20,290</u>	<u>608,629</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	4,628	218,221			222,849
Support services:					
Administration Services	-		1,400		1,400
Operation and maintenance of plant services	43,854			2,906	46,760
Student Transportation				10,251	10,251
Other expenditures:					
Facilities acquisition	-		287,364	221	287,585
Total expenditures	<u>48,482</u>	<u>218,221</u>	<u>288,764</u>	<u>13,378</u>	<u>568,845</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,641)</u>	<u>1,587</u>	<u>39,926</u>	<u>6,912</u>	<u>39,784</u>
Other financing sources (uses):					
Operating transfers out	-	-	(17,000)		(17,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(17,000)</u>	<u>-</u>	<u>(17,000)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(8,641)</u>	<u>1,587</u>	<u>22,926</u>	<u>6,912</u>	<u>22,784</u>
Fund balances beginning of year, as restated	<u>9,211</u>	<u>52,605</u>	<u>78,376</u>	<u>13,974</u>	<u>154,166</u>
Fund balances end of year	<u>\$ 570</u>	<u>\$ 54,192</u>	<u>\$ 101,302</u>	<u>\$ 20,886</u>	<u>\$ 176,950</u>

See accompanying independent auditor's report.

George - Little Rock Community School District  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 Year ended June 30, 2004

Schedule 3

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Adult Education	579	48	-	627
Annual	4,802	4,094	4,740	4,156
Resale	1,296	32,642	31,359	2,579
General	4,214	34,553	35,402	3,365
Athletics	15	8,269	8,214	70
Baseball	-	630	630	-
Basketball:				
Boys	-	3,526	3,526	-
Boys Fundraiser	2,071	3,983	5,112	942
Girls	-	3,990	3,990	-
Track:				
Boys	-	-	-	-
Girls	-	129	129	-
Softball	-	2,956	2,956	-
Wrestling	-	1,655	1,655	-
Golf:				
Boys	-	51	51	-
Girls	-	30	30	-
Volleyball	-	3,241	3,241	-
Cross Country	-	205	205	-
Cheerleaders	434	1,779	2,213	-
Music - Vocal	-	3,324	3,324	-
Music - Instrumental	-	3,809	3,629	180
Music Boosters	1,843	-	1,500	343
Recreation Club	435	465	501	399
Faculty	731	1,390	1,713	408
Future Farmers of America	2,607	14,039	16,641	5
Future Farmers /Savings	7,385	2,230	-	9,615
National Honor Society	-	514	465	49
MS Student Council	415	-	151	264
HS Student Council	3,295	2,296	2,524	3,067
Broadway Bound	-	43,184	42,294	890
Drama Club	-	3,859	3,859	-
Summer Recreation	954	4,789	3,480	2,263
Interest on Investments	-	264	264	-
Athletics Resale	-	532	532	-

George - Little Rock Community School District  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 Year ended June 30, 2004

Schedule 3

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Class of:				
2004	924	20	944	-
2005	766	4,702	4,620	848
2006	410	900	300	1,010
2007	246	-	-	246
2008	307	528	422	413
2009	115	679	543	251
2010	-	560	448	112
Insurance	-	1,109	1,109	-
NOW Interest	302	251	557	(4)
Magazines	-	2,203	2,140	63
MS Magazines	6,282	7,836	8,460	5,658
MS Yearbook	(104)	1,570	1,466	-
Pictures	-	59	-	59
MS Reading Program	252	118	369	1
Steve Groenwold Memorial	40	-	-	40
Jim Schaar Memorial	48	-	3	45
Mexico Trip	-	355	-	355
Virgil Krull Memorial	9	-	9	-
Band Fundraiser	10,878	12,188	10,287	12,779
Workkeys	601	-	-	601
Vending Machine	256	2,416	916	1,756
Promotions	197	1,838	1,298	737
	<u>\$ 52,605</u>	<u>\$ 219,808</u>	<u>\$ 218,221</u>	<u>\$ 54,192</u>

See accompanying independent auditor's report.

George - Little Rock Community School District  
 Schedule of Revenues by Source and Expenditures by Function  
 All Governmental Funds  
 For the Last Four Years

Schedule 4

	Modified Accrual Basis			
	2004	2003	2002	2001
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 1,686,118	\$ 1,843,822	\$ 1,828,821	\$ 1,657,179
Tuition	78,793	638,544	619,868	504,060
Other	285,002	360,236	371,405	397,109
Intermediate sources				
State sources	1,941,302	1,822,910	1,764,558	2,034,383
Federal sources	179,640	280,417	213,612	155,862
Total	<u>4,170,855</u>	<u>4,945,929</u>	<u>4,798,264</u>	<u>4,748,593</u>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	1,838,852	2,107,000	2,010,641	1,888,846
Special instruction	571,727	608,721	629,562	592,946
Other instruction	292,522	457,608	436,683	447,751
Support services:				
Student services	48,851	75,569	62,058	47,306
Instructional staff services	75,841	53,004	99,507	84,741
Administration Services	628,640	611,925	621,407	629,706
Operation and maintenance of plant services	250,703	233,077	215,444	252,153
Transportation services	193,493	214,410	210,640	274,299
Central support services	-	6,190	4,906	-
Non-instructional programs	168,946	172,890	169,713	172,433
Other expenditures:				
Facilities acquisition	287,585	280,423	229,082	102,864
Long-term debt interest	17,000	15,000	-	13,874
AEA flow-through	146,587	157,934	160,195	166,892
Total	<u>\$ 4,520,747</u>	<u>\$ 4,993,751</u>	<u>\$ 4,849,838</u>	<u>\$ 4,673,811</u>

See accompanying independent auditor's report.

**George – Little Rock Community School District**

*Dan Heard, CPA*  
*David O. Halse, CPA*  
*Kyle Ebel, CPA*  
*Aleene Williams, CPA*

*Telephone 712-472-4011*  
*Fax 712-472-4014*

**WELLS HEARD HALSE & CO.**  
Certified Public Accountants  
710 SOUTH UNION STREET, P.O. BOX 108  
**ROCK RAPIDS, IOWA 51246**

**Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting**

To the Board of Education of  
George - Little Rock Community School District:

We have audited the financial statements of the George - Little Rock Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated November 23, 2004. We conducted our audit in accordance with 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.

Compliance

As part of obtaining reasonable assurance about whether the George - Little Rock 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 object of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 is 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 items II-03-B.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the George - Little Rock Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our 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 operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a 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 item I-04-A is a material weakness. Prior year reportable conditions have all been resolved except for item I-03-A.

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

Wells Heard Halse & Co.

November 23, 2004

George - Little Rock Community School District  
Schedule of Findings  
Year ended June 30, 2004

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

**REPORTABLE CONDITIONS:**

I-04-A 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 noted that the same person did all cash receipts and disbursements and bookkeeping and deposit functions.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

George - Little Rock Community School District  
Schedule of Findings  
Year ended June 30, 2004

**Part II: Other Findings Related to Required Statutory Reporting:**

- II-04-A      Official Depository – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- II-04-B      Certified Budget - Disbursements for the year ended June 30, 2004, exceeded the amount budgeted in the instruction area.  
Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.  
Response – We will amend our budget before disbursements exceed the budget.  
Conclusion – Response accepted.
- II-04-C      Questionable Disbursements - No disbursements were noted that might not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-04-D      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-04-E      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. Coverage amounts should be reviewed annually to insure adequacy for current operations.
- II-04-F      Board Minutes - No transactions requiring Board approval, which had not been approved by the Board, were noted.
- II-04-G      Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Districts’ investment policy were noted.
- II-04-H      Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.  
Recommendation – The Certified Annual Report should have been filed by September 15, 2004.  
Response – With the GASB 34 implementation we wanted the Certified Annual Report correct, which took more time to prepare to be able to file by September 15, 2004. With the implementation complete we will be able in the future to file in a timelier manner.  
Conclusion – Response accepted

George - Little Rock Community School District  
Schedule of Findings  
Year ended June 30, 2004

- II-04-I      Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-04-J      Business Transactions – No business transactions between the District and District officials or employees were noted.