

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

JUNE 30, 2004

NEWS RELEASE

Nolte, Cornman & Johnson P.C. today released an audit report on the Glenwood Community School District in Glenwood, Iowa.

The District's revenues for the governmental funds totaled \$16,952,156 for the year ended June 30, 2004 and included \$5,942,689 in local tax, \$8,398,795 from the state, \$834,825 from the federal government and \$21,455 in interest on investments.

Governmental fund expenditures for the year totaled \$16,601,373 and included \$9,770,360 for instruction, \$4,861,522 for support services and \$1,967,391 for other expenditures.

A copy of the audit report is available for review in the office of the Auditor of State and the District Secretary's office.

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Glenwood Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 election)		
Marland Gammon	President	2004
Nancy Krogstad	Vice President	2005
Linda Young	Board Member	2005
Paul Speck	Board Member	2003
Bill Agan	Board Member	2003
Board of Education (After September 2003 election)		
Bill Agan	President	2006
Linda Young	Vice President	2005
Marland Gammon	Board Member	2004
Nancy Krogstad	Board Member	2005
Frank Overhue	Board Member	2006
School Officials		
Dewitt Sibley	Superintendent	2004
Judy Picker	District Secretary/Treasurer and Business Manager	2004
Rick Franck	Attorney	2004

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Glenwood Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Glenwood Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, 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, business-type activities, each major fund, and the aggregate remaining fund information of the Glenwood Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

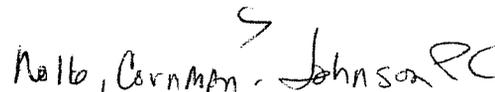
In accordance with Government Auditing Standards, we have also issued our reports dated October 13, 2004 on our consideration of the Glenwood Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government 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 4 through 15 and 38 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and

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presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Glenwood 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 three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, 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.


NOLTE, CORNMAN & JOHNSON, P.C.

October 13, 2004

GLENWOOD COMMUNITY SCHOOL DISTRICT
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2004

The discussion and analysis of Glenwood Community School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

- This was the second year of a three-year decrease in funding of \$28,576 for an error or miscount of nineteen (19) students on the certified count.
- The General Fund ending fund balance increased from \$2,282,510 in fiscal year 2003 to \$2,626,569 in fiscal year 2004.
- In an effort to balance the declining reserve trends in the General Fund, a reduction of three (3) full time staff which included (1) nurse, (1) Family Service Provider and (1) Administrator position, we also dropped one Pre-School Program this was done to offset the addition of (1) fourth grade teacher and (1) elementary level 3 special education teacher.
- Set cash reserve levy at \$350,000 to help offset the state aid cut from the previous year.
- Passed the Local Sales and Services Tax for school infrastructure projects beginning January 1, 2004 for ten years.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different view of the district:

- The first two statements are district-wide financial statements that provide both Short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short and long term financial information about the activities the District operates like businesses, such as food service and day care.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

**Figure A-2
Major Features of the Government-Wide and Fund Financial Statements**

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

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 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 - is one way to measure the District's financial health or position.

- 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.

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 areas.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's food service programs and day care 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 repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. *Internal service funds*, (the other kind of proprietary fund) are optional and available to report activities that provides supplies and services for other District programs and activities.
- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The School District as a Whole

Net assets. The District's combined net assets were as follows:

Figure A-3
Net Assets
(In Thousands)

	Governmental Activities		Business-Type Activities		Total School District		Total Change %
	2003	2004	2003	2004	2003	2004	%
Assets:							
Current and Other Assets	10,330.0	10,689.8	184.8	214.8	10,514.8	10,904.6	3.71%
Capital Assets, Net	11,231.3	11,817.4	93.0	113.8	11,324.3	11,931.2	5.36%
Total Assets	21,561.3	22,507.1	277.8	328.6	21,839.1	22,835.8	4.56%
Liabilities:							
Current and Other Liabilities	7,146.2	7,142.0	10.0	10.8	7,156.2	7,152.8	-0.05%
Long-Term Liabilities	6,092.4	5,389.0	5.4	0.0	6,097.8	5,389.0	-11.62%
Total Liabilities	13,238.6	12,530.9	15.4	10.8	13,254.0	12,541.7	-5.37%
Net Assets:							
Invested in Capital Assets							
Net of Related Debt	5,196.3	6,477.4	93.0	113.8	5,289.3	6,591.2	24.61%
Restricted	944.1	1,233.7	0.0	0.0	944.1	1,233.7	23.47%
Unrestricted	2,182.4	2,265.1	169.4	204.0	2,351.8	2,469.1	4.99%
Total Net Assets	8,322.8	9,976.2	262.4	317.8	8,585.2	10,294.0	19.90%
Note: totals may not add due to rounding.							

The District's improved financial position is the product of many factors. Growth during the year in taxes and grants resulted in an increase in revenues. This increase in revenues was balanced by the District's efforts to control expenditures to avoid having to use carryover fund balance to meet its financial obligations during the year.

Figure A-4
Change in Net Assets
(In Thousands)

	Governmental Activities		Business-Type Activities		Total School District	
	2003	2004	2003	2004	2003	2004
Revenues:						
Program Revenues						
Charges for Services and Sales	1,469.7	2,000.4	744.3	769.1	2,214.0	2,769.5
Operating Grants and Contributions	1,715.4	1,499.5	447.5	476.5	2,162.9	1,976.0
Capital Grants and Contributions	34.2	435.4	0	0	34.2	435.4
General Revenues:						
Local Taxes	5,743.0	5,942.7	0	0	5,743.0	5,942.7
Grants and Entitlements	7,290.7	7,052.8	0	0	7,290.7	7,052.8
Interest	30.7	21.5	1.9	1.2	32.6	22.7
Miscellaneous	21.5	0	0	0	21.5	0
Total Revenues	16,305.2	16,952.2	1,193.7	1,246.8	17,498.9	1,639.9
Program Expenses:						
Instruction	9,640.6	9,736.0	0	0	9,640.6	9,736.0
Support Services:						
Student and Instructional Staff	1,036.7	999.9	0	0	1,036.7	999.9
Board of Education, Administration, and Business	1,346.4	1,406.8	0	0	1,346.4	1,406.8
Operation and Maintenance	1,202.3	1,408.2	0	0	1,202.3	1,408.2
Transportation	774.0	692.0	0	0	774.0	692.0
Central	35.7	18.3	0	0	35.7	18.3
Non-instructional programs	3.4	3.6	1,117.3	1,191.4	1,120.7	1,195.0
Other	1,277.9	1,060.9	0	0	1,277.9	1,060.9
Total Expenses	15,317.0	15,325.5	1,117.3	1,191.4	16,434.3	16,516.9
Increase (decrease) in net assets	988.2	1,626.6	76.4	55.5	1,064.6	1,682.1

Figure A-5

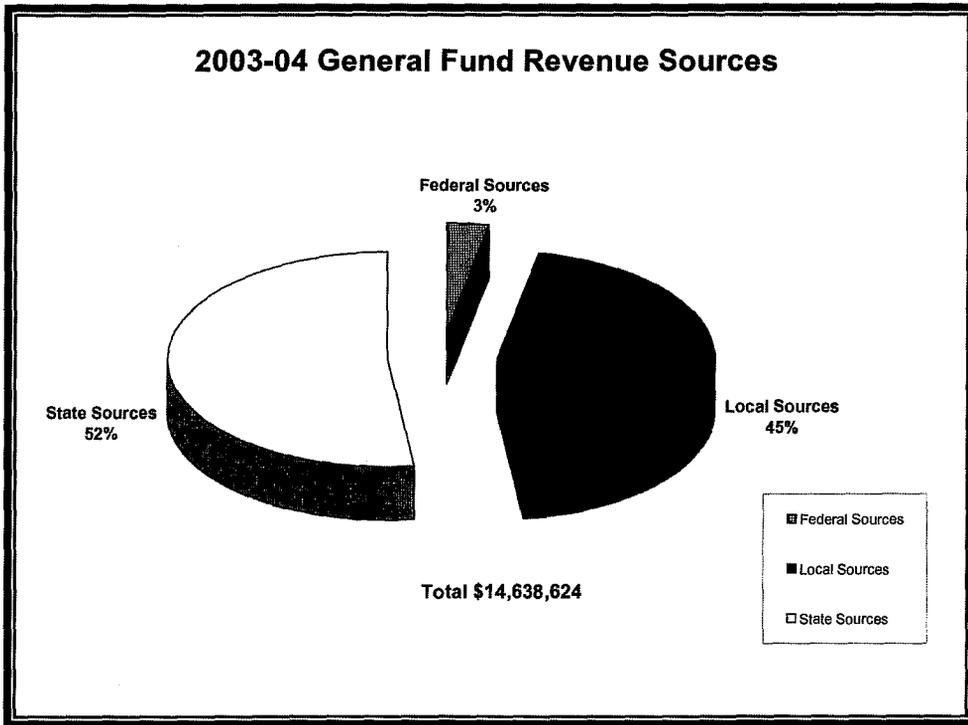
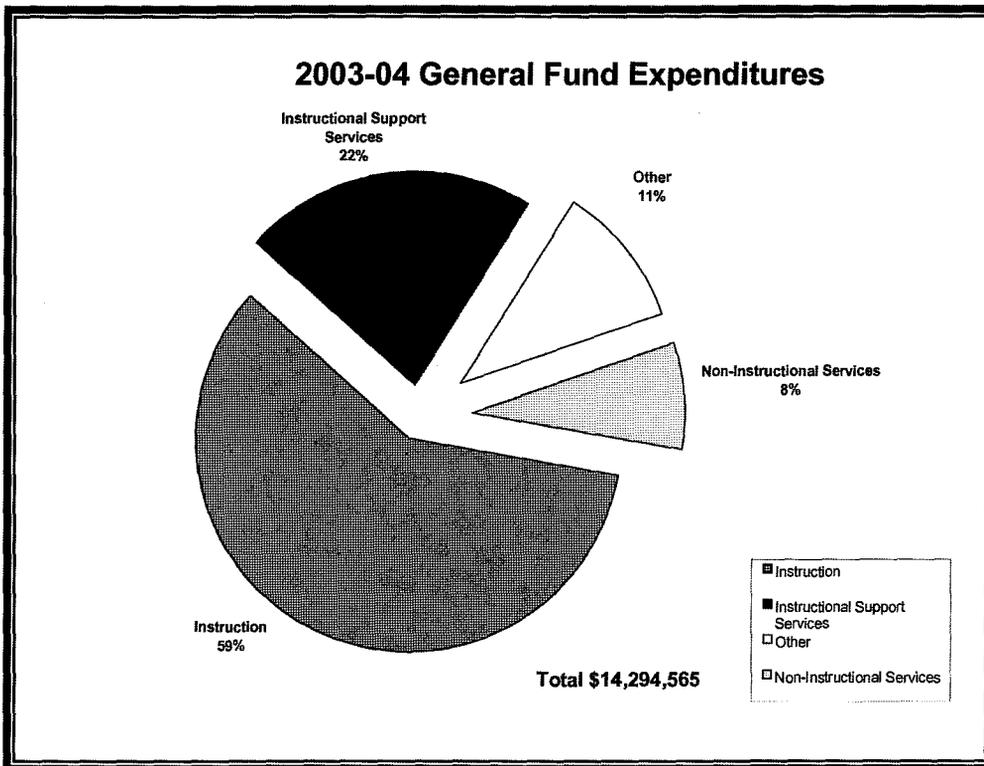


Figure A-6



Governmental Activities

Revenues for governmental activities were \$16,952,156 while expenses amounted to \$15,325,517.

Figure A-7 presents the total cost and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-7

Total and Net Cost of Governmental Activities (In Thousands)

	Total Cost Of Services		Percentage Change %	Net Cost of Services		Percentage Change %
	2003	2004		2003	2004	
Instruction	9,640.6	9,736.0	0.98%	7,032.0	6,787.3	-3.61%
Support Services	4,395.1	4,525.0	2.87%	4,357.5	4,087.1	-6.62%
Non-instructional programs	3.4	3.6	5.56%	3.4	3.6	5.56%
Other expenses	1,277.9	1,060.9	-20.45%	704.9	513.6	-37.25%
Total	15,317.0	15,325.5	0.06%	12,097.8	11,391.5	-6.20%
Note: totals may not add due to rounding.						

The cost financed by users of the District programs was \$2,000,401.

Federal and state governments subsidized certain programs with grants and contributions totaling \$1,934,844.

The net cost of governmental activities was financed with \$5,942,689 in property tax and local option sales and service tax, \$7,052,767 in unrestricted state grants and \$21,455 in interest income.

Business-Type Activities

Revenues of the District's business-type activities increased from \$1,193,593 to \$1,246,844 while expenses increased also from \$1,117,311 to \$1,191,393. The District's business-type activities include the School Nutrition Fund and Day Care. Revenues of these activities were comprised of charges for services, federal and state reimbursements, grants and investment income.

During the year ended June 30, 2004, the Day Care received a \$10,000 West Central Development Grant for expansion and an Infant Care Incentive Grant to help with the cost of salaries in the under two years old rooms which resulted in ending the year on a positive note.

Financial Analysis of the District's Funds

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

The strong financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,584,615, an increase of \$350,783 above last year's ending fund balances of \$3,233,832. The primary reason for the increase in combined fund balances in fiscal 2004 was due to the trimming of expenses.

Governmental Fund Highlights

- The General Fund balance increased from \$2,282,510 to \$2,626,569 due in part to the great effort in trimming the expenditures and levying for cash reserve amount of \$350,000 for cash flow purposes.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$397,644 to \$281,839 due to using PPEL funds as matching funds for the high school air conditioning project which will be over a two year period.
- The Capital Projects Fund balance increased from \$40,586 to \$138,833 because of the state reimbursement of funds through the Iowa Demonstration Construction Grant on the high school air conditioning project.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$225,735 in fiscal 2003 to \$264,540 in fiscal 2004, representing an increase of approximately 17 percent. The District joined the Iowa Consortium for purchasing food supplies which helped with the savings increase. The District also received two new grants for its day care program, which resulted in an increase in increased revenue and net assets.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis.

General Fund Budgetary Highlights

- The District's General Fund actual revenues and related instruction expenditures vary from the adopted budget because the District uses the procedure of adopting the maximum authorized budget and pertains to the General Fund of the district. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.
- The District's total actual receipts were \$1,189,723 less than the total budgeted receipts. In conjunction with the Districts budgeting practice the most significant change resulted in the District receiving less in various components of state aid than originally anticipated.
- The School District uses a site-based budget. The budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.
- General Fund revenues and other financing sources were more than expenditures and other financing uses by approximately \$344,059. The solvency ratio position of the School District is 8.7% which is within the targeted solvency position recommended by the state of 5% to 10%.

Capital Assets and Debt Administration

Capital Assets

By the end of fiscal 2004, the District had invested \$11,931,162, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, equipment and transportation equipment. This amount represents a decrease from last year. Depreciation expense for the year was \$442,292.

The original cost of the District's capital assets was \$17.2 million. Governmental funds account for \$16.9 million with the remainder of \$.3 million in the Proprietary, School Nutrition Fund and Day Care.

Figure A-8
Capital Assets, net of depreciation
(In Thousands)

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	2003	2004	2003	2004	2003	2004	%
Land	206.3	206.3	0	0	206.3	206.3	0.00%
Construction in Progress	0	658.1	0.0	0.0	0.0	658.1	100.00%
Improvements other than buildings	117.7	104.5	0.0	0.0	117.5	104.5	-11.20%
Buildings	10584.4	10330.8	0.0	0.0	10584.4	10330.8	-2.40%
Furniture and Equipment	349.7	517.6	93.0	113.8	442.7	631.4	42.60%
Totals	11258.1	11817.4	93.0	113.8	11351.1	11931.2	0.30%

Note: totals may not add due to rounding.

Long-Term Debt

At year-end, the District had \$5,388,956 in general obligation debt and other long-term debt outstanding. This represents a decrease of approximately 12% from last year. This is due primarily to refinancing of long-term debt.

Figure A-9
Outstanding Long-Term Obligations
(In Thousands)

	Total School District		Total Change
	2003	2004	2003-2004
General obligation bonds	4,620	4,185	435
Notes payable	1,415	1,155	260
Early retirement	63	22	41
Compensated absences	0	27	27
Totals	6,098	5,389	709

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.

- Salary and benefit settlements, with any employee group, exceeding the rate of growth of state funding will have an adverse impact upon the District's General Fund budget.
- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for education.
- Increased health insurance cost has had and will continue to impact the District.
- The increase of open enrollment students leaving the district.

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 Judy Picker, District Secretary/Treasurer and Business Manager, Glenwood Community School District, 103 Central, Suite 300, Glenwood, Iowa 51534.

BASIC FINANCIAL STATEMENTS

GLENWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 3,377,492	145,156	3,522,648
Receivables:			
Property tax:			
Delinquent	106,269	0	106,269
Succeeding year	5,782,569	0	5,782,569
Accounts	590	4,060	4,650
Accrued interest	1,326	0	1,326
Due from other governments	721,984	32,746	754,730
Inventories	699,533	32,869	732,402
Capital assets, net of accumulated depreciation(note 4)	11,817,359	113,803	11,931,162
TOTAL ASSETS	22,507,122	328,634	22,835,756
LIABILITIES			
Accounts payable	8,653	0	8,653
Salaries and benefits payable	1,313,926	0	1,313,926
Accrued interest payable	36,840	0	36,840
Deferred revenue:			
Succeeding year property tax	5,782,569	0	5,782,569
Other	0	10,801	10,801
Long-term liabilities(note 5):			
Portion due within one year:			
Bonds payable	460,000	0	460,000
Capital loan notes payable	270,000	0	270,000
Early retirement payable	21,788	0	21,788
Compensated absences payable	27,168	0	27,168
Portion due after one year:			
Bonds payable	3,725,000	0	3,725,000
Capital loan notes payable	885,000	0	885,000
TOTAL LIABILITIES	12,530,944	10,801	12,541,745
NET ASSETS			
Investment in capital assets, net of related debt	6,477,359	113,803	6,591,162
Restricted for:			
Debt service	29,838	0	29,838
Talented and gifted	23,186	0	23,186
Teacher compensation	5,517	0	5,517
Other	268,723	0	268,723
Management levy	318,904	0	318,904
Physical plant and equipment levy	281,839	0	281,839
Capital projects	138,833	0	138,833
Other special revenue purposes	166,844	0	166,844
Unrestricted	2,265,135	204,030	2,469,165
TOTAL NET ASSETS	\$ 9,976,178	317,833	10,294,011

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 5,779,415	179,546	602,274	0
Special instruction	2,969,598	1,215,018	322,064	0
Other instruction	986,970	605,837	25,182	0
	<u>9,735,983</u>	<u>2,000,401</u>	<u>949,520</u>	<u>0</u>
Support services:				
Student services	590,896	0	0	0
Instructional staff services	408,970	0	0	0
Administration services	1,406,757	0	0	0
Operation and maintenance of plant services	1,408,164	0	0	435,383
Transportation services	691,960	0	2,592	0
Central support services	18,293	0	0	0
	<u>4,525,040</u>	<u>0</u>	<u>2,592</u>	<u>435,383</u>
Non-instructional programs:				
Food service operations	1,174	0	0	0
Community service and education operations	2,420	0	0	0
	<u>3,594</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other expenditures:				
Long-term debt interest	235,482	0	0	0
AEA flowthrough	547,349	0	547,349	0
Depreciation(unallocated)*	278,069	0	0	0
	<u>1,060,900</u>	<u>0</u>	<u>547,349</u>	<u>0</u>
Total governmental activities	15,325,517	2,000,401	1,499,461	435,383
Business-Type activities:				
Non-instructional programs:				
Nutrition services	777,300	513,919	301,143	0
Daycare services	414,093	255,215	175,377	0
Total business-type activities	<u>1,191,393</u>	<u>769,134</u>	<u>476,520</u>	<u>0</u>
Total	<u>\$ 16,516,910</u>	<u>2,769,535</u>	<u>1,975,981</u>	<u>435,383</u>

General Revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
Local option sales and service tax
Unrestricted state grants
Unrestricted investment earnings

Total general revenues

Changes in net assets

Net assets beginning of year, as restated(Note 10)

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(4,997,595)	0	(4,997,595)
(1,432,516)	0	(1,432,516)
(355,951)	0	(355,951)
(6,786,062)	0	(6,786,062)
(590,896)	0	(590,896)
(408,970)	0	(408,970)
(1,406,757)	0	(1,406,757)
(972,781)	0	(972,781)
(689,368)	0	(689,368)
(18,293)	0	(18,293)
(4,087,065)	0	(4,087,065)
(1,174)	0	(1,174)
(2,420)	0	(2,420)
(3,594)	0	(3,594)
(235,482)	0	(235,482)
0	0	0
(278,069)	0	(278,069)
(513,551)	0	(513,551)
(11,390,272)	0	(11,390,272)
0	37,762	37,762
0	16,499	16,499
0	54,261	54,261
(11,390,272)	54,261	(11,336,011)
\$ 4,622,408	0	4,622,408
623,227	0	623,227
558,297	0	558,297
138,757	0	138,757
7,052,767	0	7,052,767
21,455	1,190	22,645
13,016,911	1,190	13,018,101
1,626,639	55,451	1,682,090
8,349,539	262,382	8,611,921
\$ 9,976,178	317,833	10,294,011

GLENWOOD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	Other Governmental		Total
	General	Funds	
ASSETS			
Cash and pooled investments	\$ 2,475,161	902,331	3,377,492
Receivables:			
Property tax			
Delinquent	80,685	25,584	106,269
Succeeding year	4,463,497	1,319,072	5,782,569
Accounts	590	0	590
Accrued interest	1,326	0	1,326
Due from other governments	691,853	30,131	721,984
Inventories	699,533	0	699,533
TOTAL ASSETS	\$ 8,412,645	2,277,118	10,689,763
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 8,653	0	8,653
Salaries and benefits payable	1,313,926	0	1,313,926
Deferred revenue:			
Succeeding year property tax	4,463,497	1,319,072	5,782,569
Total liabilities	5,786,076	1,319,072	7,105,148
Fund balances:			
Reserved for:			
Debt service	0	29,838	29,838
Talented and gifted	23,186	0	23,186
Teacher compensation	5,517	0	5,517
Other	268,723	0	268,723
Unreserved:			
Designated for cash flow	350,000	0	350,000
Undesignated	1,979,143	928,208	2,907,351
Total fund balances	2,626,569	958,046	3,584,615
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,412,645	2,277,118	10,689,763

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 19)	\$	3,584,615
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		11,817,359
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.		(36,840)
Long-term liabilities, including bonds payable, capital loan notes payable, early retirement payable, and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(5,388,956)</u>
Net assets of governmental activities (page 16)	\$	<u>9,976,178</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Other Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 4,392,671	1,550,018	5,942,689
Tuition	1,279,884	0	1,279,884
Other	168,876	327,087	495,963
State sources	8,397,751	1,044	8,398,795
Federal sources	399,442	435,383	834,825
Total revenues	<u>14,638,624</u>	<u>2,313,532</u>	<u>16,952,156</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	5,715,602	92,651	5,808,253
Special instruction	2,974,237	0	2,974,237
Other instruction	687,586	300,284	987,870
	<u>9,377,425</u>	<u>392,935</u>	<u>9,770,360</u>
Support services:			
Student services	590,896	0	590,896
Instructional staff services	423,069	0	423,069
Administration services	1,386,458	13,214	1,399,672
Operation and maintenance of plant services	1,148,719	444,562	1,593,281
Transportation services	800,256	36,055	836,311
Central support services	18,293	0	18,293
	<u>4,367,691</u>	<u>493,831</u>	<u>4,861,522</u>
Non-instructional programs:			
Food service operations	1,174	0	1,174
Community service and education operations	926	0	926
	<u>2,100</u>	<u>0</u>	<u>2,100</u>
Other expenditures:			
Facilities acquisitions	0	476,431	476,431
Long-term debt:			
Principal	0	695,000	695,000
Interest and fiscal charges	0	248,611	248,611
AEA flowthrough	547,349	0	547,349
	<u>547,349</u>	<u>1,420,042</u>	<u>1,967,391</u>
Total expenditures	<u>14,294,565</u>	<u>2,306,808</u>	<u>16,601,373</u>
Excess of revenues over expenditures	344,059	6,724	350,783
Other financing sources(uses):			
Transfers in	0	318,921	318,921
Transfers out	0	(318,921)	(318,921)
Total other financing sources(uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	344,059	6,724	350,783
Fund balance beginning of year	<u>2,282,510</u>	<u>951,322</u>	<u>3,233,832</u>
Fund balance end of year	<u>\$ 2,626,569</u>	<u>958,046</u>	<u>3,584,615</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2004

Net change in fund balances - total governmental funds (page 21)	\$	350,783
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	\$ 980,097	
Depreciation expense	<u>(420,840)</u>	559,257
 Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		
		695,000
 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.		
		13,129
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Early retirement	\$ 35,638	
Compensated absences	<u>(27,168)</u>	8,470
 Changes in net assets of governmental activities (page 18)	 \$	 <u>1,626,639</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004

	School Nutrition	Day Care	Total
ASSETS			
Current assets:			
Cash and pooled investments	\$ 122,408	22,748	145,156
Receivables:			
Accounts	1,605	2,455	4,060
Due from other governments	21,970	10,776	32,746
Inventories	17,869	15,000	32,869
Total current assets	<u>163,852</u>	<u>50,979</u>	<u>214,831</u>
Non-current assets:			
Capital assets:			
Machinery and equipment, net of accumulated depreciation (Note 4)	111,489	2,314	113,803
Total non-current assets	<u>111,489</u>	<u>2,314</u>	<u>113,803</u>
TOTAL ASSETS	<u>275,341</u>	<u>53,293</u>	<u>328,634</u>
LIABILITIES			
Current liabilities:			
Deferred revenue:			
Other	10,801	0	10,801
TOTAL LIABILITIES	<u>10,801</u>	<u>0</u>	<u>10,801</u>
NET ASSETS			
Unrestricted	264,540	53,293	317,833
Total net assets	<u>\$ 264,540</u>	<u>53,293</u>	<u>317,833</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004

	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 513,919	255,215	769,134
TOTAL OPERATING REVENUES	<u>513,919</u>	<u>255,215</u>	<u>769,134</u>
OPERATING EXPENSES:			
Non-instructional programs:			
Salaries	267,963	321,793	589,756
Benefits	42,208	56,513	98,721
Services	24,082	739	24,821
Supplies	418,794	34,489	453,283
Other	2,565	128	2,693
Depreciation	21,688	431	22,119
TOTAL OPERATING EXPENSES	<u>777,300</u>	<u>414,093</u>	<u>1,191,393</u>
OPERATING LOSS	<u>(263,381)</u>	<u>(158,878)</u>	<u>(422,259)</u>
NON-OPERATING REVENUES:			
State sources	10,250	0	10,250
Federal sources	290,893	175,377	466,270
Interest on investments	1,043	147	1,190
TOTAL NON-OPERATING REVENUES	<u>302,186</u>	<u>175,524</u>	<u>477,710</u>
Changes in net assets	38,805	16,646	55,451
Net assets beginning of year	<u>225,735</u>	<u>36,647</u>	<u>262,382</u>
Net assets end of year	<u>\$ 264,540</u>	<u>53,293</u>	<u>317,833</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 508,851	0	508,851
Cash received from miscellaneous operating activities	4,254	256,010	260,264
Cash payments to employees for services	(315,588)	(378,306)	(693,894)
Cash payments to suppliers for goods or services	(404,172)	(36,956)	(441,128)
Net cash used in operating activities	<u>(206,655)</u>	<u>(159,252)</u>	<u>(365,907)</u>
Cash flows from non-capital financing activities:			
State grants received	10,250	0	10,250
Federal grants received	234,804	174,882	409,686
Net cash provided by non-capital financing activities	<u>245,054</u>	<u>174,882</u>	<u>419,936</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(40,300)	(2,595)	(42,895)
Net cash used in capital and related financing activities	<u>(40,300)</u>	<u>(2,595)</u>	<u>(42,895)</u>
Cash flows from investing activities:			
Interest on investments	1,043	147	1,190
Net cash provided by investing activities	<u>1,043</u>	<u>147</u>	<u>1,190</u>
Net increase(decrease) in cash and cash equivalents	(858)	13,182	12,324
Cash and cash equivalents at beginning of year	123,266	9,566	132,832
Cash and cash equivalents at end of year	<u>\$ 122,408</u>	<u>22,748</u>	<u>145,156</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (263,381)	(158,878)	(422,259)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	34,119	0	34,119
Depreciation	21,688	431	22,119
(Increase)Decrease in inventories	7,150	(1,600)	5,550
(Increase)Decrease in accounts receivable	(1,605)	795	(810)
Decrease in early retirement payable	(5,417)	0	(5,417)
Increase in deferred revenue	791	0	791
Net cash used in operating activities	<u>\$ (206,655)</u>	<u>(159,252)</u>	<u>(365,907)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	<u>\$ 122,408</u>	<u>22,748</u>	<u>145,156</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			

During the year ended June 30, 2004, the District received Federal commodities valued at \$34,119.

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	<u>Agency Fund</u>
ASSETS	
Cash and pooled investments	\$ 6,973
Total assets	<u>6,973</u>
LIABILITIES	
Due to other groups	<u>6,973</u>
Total liabilities	<u>6,973</u>
NET ASSETS	<u>\$ 0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

(1) Summary of Significant Accounting Policies

The Glenwood Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. 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 city of Glenwood, Iowa, and the predominate agricultural territory in Pottawattamie and Mills 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, Glenwood 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 Glenwood Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do 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 Mills Counties Assessors' 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 support.

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 that are attributed to the acquisition, construction, or improvement of those assets.

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

Unrestricted net asset 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 that 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, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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 expenses, including instructional, support and other costs.

The District reports the following major and nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Enterprise, Day Care Fund. The School Nutrition Fund is a major fund used to account for the food service operations of the District. The Day Care Fund is a nonmajor fund used to account for the child care operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus". The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

Property Tax Receivable - Property tax in the 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 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 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.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Property, furniture and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-7 years

Salaries and Benefits Payable- Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is 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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period

or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on 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 funds only if they have matured, for example, as a result of employee resignations or retirements. 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 obligations - 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 Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

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

(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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$2,292,192 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Number 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment trust is not subject to risk categorization.

(3) 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	Special Revenues - Physical Plant and Equipment Levy	<u>\$ 318,921</u>

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

(4) Capital Assets

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

	<u>Balance Beginning of Year, as restated (Note 10)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 206,266	0	0	206,266
Construction in progress	0	658,130	0	658,130
Total capital assets not being depreciated	<u>206,266</u>	<u>658,130</u>	<u>0</u>	<u>864,396</u>
Capital assets being depreciated:				
Buildings	13,530,164	11,266	0	13,541,430
Improvements other than buildings	264,816	0	0	264,816
Furniture and equipment	1,953,792	310,701	25,000	2,239,493
Total capital assets being depreciated	<u>15,748,772</u>	<u>321,967</u>	<u>25,000</u>	<u>16,045,739</u>
Less accumulated depreciation for:				
Buildings	2,945,761	264,829	0	3,210,590
Improvements other than buildings	147,092	13,240	0	160,332
Furniture and equipment	1,604,083	142,771	25,000	1,721,854
Total accumulated depreciation	<u>4,696,936</u>	<u>420,840</u>	<u>25,000</u>	<u>5,092,776</u>
Total capital assets being depreciated, net	<u>11,051,836</u>	<u>(98,873)</u>	<u>0</u>	<u>10,952,963</u>
Governmental activities capital assets, net	<u>\$ 11,258,102</u>	<u>559,257</u>	<u>0</u>	<u>11,817,359</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 302,177	42,895	3,020	342,052
Less accumulated depreciation	209,150	21,452	2,353	228,249
Business-type activities capital assets, net	\$ 93,027	21,443	667	113,803

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular			\$ 6,800
Special			1,160
Other			2,600
Support services:			
Instructional staff services			3,723
Administration			1,600
Operation and maintenance of plant services			7,310
Transportation			119,578
			<u>142,771</u>
Unallocated depreciation			<u>278,069</u>
Total governmental activities depreciation expense			<u>\$ 420,840</u>
Business-type activities:			
Food services			\$ 21,021
Day care			431
Total business-type activities depreciation expense			<u>\$ 21,452</u>

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 4,620,000	0	435,000	4,185,000	460,000
Capital Loan Notes	1,415,000	0	260,000	1,155,000	270,000
Early Retirement	62,843	21,788	62,843	21,788	21,788
Compensated Absences	0	27,168	0	27,168	27,168
Total	\$ 6,097,843	48,956	757,843	5,388,956	778,956

Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 14, 1998			Bond Issue of October 1, 2002			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2005	4.30%	\$ 280,000	139,340	2.25%	\$ 180,000	34,070	460,000	173,410
2006	4.40	290,000	127,300	2.50	180,000	30,020	470,000	157,320
2007	4.45	305,000	114,540	3.00	190,000	25,520	495,000	140,060
2008	4.50	320,000	100,968	3.10	195,000	19,820	515,000	120,788
2009	4.60	335,000	86,568	3.30	200,000	13,775	535,000	100,343
2010	4.65	350,000	71,158	3.50	205,000	7,175	555,000	78,333
2011	4.70	365,000	54,882	-	-	-	365,000	54,882
2012	4.75	385,000	37,728	-	-	-	385,000	37,728
2013	4.80	405,000	19,440	-	-	-	405,000	19,440
Total		\$ 3,035,000	751,924		\$ 1,150,000	130,380	\$ 4,185,000	882,304

Capital Loan Notes

On April 14, 1999, the District issued \$2,565,000 of capital loan notes to finance additions to the Northeast Elementary Building. These notes were sold in March, 1999. Maturities and interest rates of notes outstanding at June 30, 2004 are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2005	4.30 %	\$ 270,000	47,628	317,628
2006	4.40	285,000	35,868	320,868
2007	4.40	295,000	23,288	318,288
2008	4.45	305,000	10,198	315,198
Total		\$ 1,155,000	116,982	1,271,982

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 employee is equal to the difference between whatever teaching salary is received in the year in which the employee retires and the beginning BA salary upon leaving the employer multiplied by a percentage based on the employee's age. The cost of early retirement benefits paid during the year ended June 30, 2004, totaled \$62,843.

(6) Defeasance of Debt

In fiscal year 2003, the District refunded \$1,375,000 general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. The defeased bonds are callable in fiscal year ended 2004; the remaining balance of these bonds at June 30, 2004 is \$0. During the year ended June 30, 2004, \$1,235,000 of bonds and \$0 of interest outstanding were defeased.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual 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 \$544,140, \$537,719, and \$538,392 respectively, equal to the required contributions for each year.

(8) Risk Management

Glenwood Community School District is a member in the Iowa School Employees Benefits Association, and Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

Each member's contributions to ISEBA funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a GAAP basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$1,227,078.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has

given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

Glenwood 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.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$547,349 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.

(10) Restate Capital Assets/Net Assets Beginning Balances

This restatement is due to error in computer formula calculations of depreciation and eliminating duplicate assets. The restatement of the capital assets and net assets are as follows:

	Balance Beginning of Year	Increases	Decreases	Balance Beginning of Year Restated
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 206,266	0	0	206,266
Total capital assets not being depreciated	206,266	0	0	206,266
Capital assets being depreciated:				
Buildings	13,530,164	0	0	13,530,164
Improvements other than buildings	264,816	0	0	264,816
Furniture and equipment	2,159,117	0	205,325	1,953,792
Total capital assets being depreciated	15,954,097	0	205,325	15,748,772
Less accumulated depreciation for:				
Buildings	2,945,761	0	0	2,945,761
Improvements other than buildings	147,092	0	0	147,092
Furniture and equipment	1,836,214	0	232,131	1,604,083
Total accumulated depreciation	4,929,067	0	232,131	4,696,936
Total capital assets being depreciated, net	11,025,030	0	(26,806)	11,051,836
Governmental activities capital assets, net	\$ 11,231,296	0	(26,806)	11,258,102

The effect if the adjustment to restate the capital assets results in a change to the previously reported governmental activities, net assets as follows:

Net assets, June 30, 2003, as previously reported	\$ 8,322,733
Capital asset adjustments, net	26,806
Net assets, July 1, 2003, as restated	\$ 8,349,539

