

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

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Independent Auditor's Report

To the Board of Education of
Glidden-Ralston 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 Glidden-Ralston Community School District, Glidden, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements of the District's primary government 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 our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of the Glidden-Ralston Community School District, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the District's legal entity. The financial statements do not include financial data for the District's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the District's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Glidden-Ralston Community School District as of June 30, 2004, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

As described in Note 8 to the financial statements, during the year ended June 30, 2004, [Glidden-Ralston](#) Community School District adopted Governmental Accounting Standards 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 Number 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated November 17, 2004, on our consideration of [Glidden-Ralston](#) 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 13](#) and [35 through 37](#) are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise [Glidden-Ralston](#) Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003, (none of which are presented herein) and expressed qualified opinions on those financial statements due to the omission of the Elmer Smith Trust from the financial statements. The supplemental information included in Schedules [1](#) through [4](#), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

[November 17, 2004](#)

Glidden-Ralston Community School District Management Discussion and Analysis

For the Year Ended June 30, 2004

This section of the Glidden-Ralston Community School District's Comprehensive Annual Financial Report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2004. The analysis is basically designed to answer the central question, Are we doing better or worse than in the prior year?

The District's component unit, the Elmer L. Smith Scholarship School Trust, has been excluded from the District's financial statements upon the advice of the Trust's attorney. The trust is a separate legal entity that has its own audit.

Because the Glidden-Ralston Community School 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.

Financial Highlights

- The General Fund June 30, 2004 fund balance improved to \$715,034 from the June 30, 2003 fund balance of \$374,734. The increase was due primarily to implemented budget reductions, a decrease in the special education deficit, increased open enrollment tuition and increased funding from categorical grants and contributions.
- Special education posted a deficit of \$-5,964 for 2003-04. The 2002-03 deficit was \$26,583 and the 2001-2002 deficit was \$-80,296.
- The amount of AEA flow through decreased from \$116,673 in fiscal year 2003 to \$107,798, a decrease of \$8,875.
- Glidden-Ralston accepted more open enrollment students than we sent to other school districts during the 2004 Fiscal year. Open enrollment tuition from other schools increased from \$107,939 to \$120,103, an increase of \$12,164.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements (government-wide and fund statements) including notes to the financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The *statement of net assets* and *statement of activities* provide information on a Government-wide basis. The statements present an aggregate view of the District's finances. Government-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the Government-wide statements.

- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates *like businesses*. The only proprietary fund Glidden-Ralston operates is for food services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

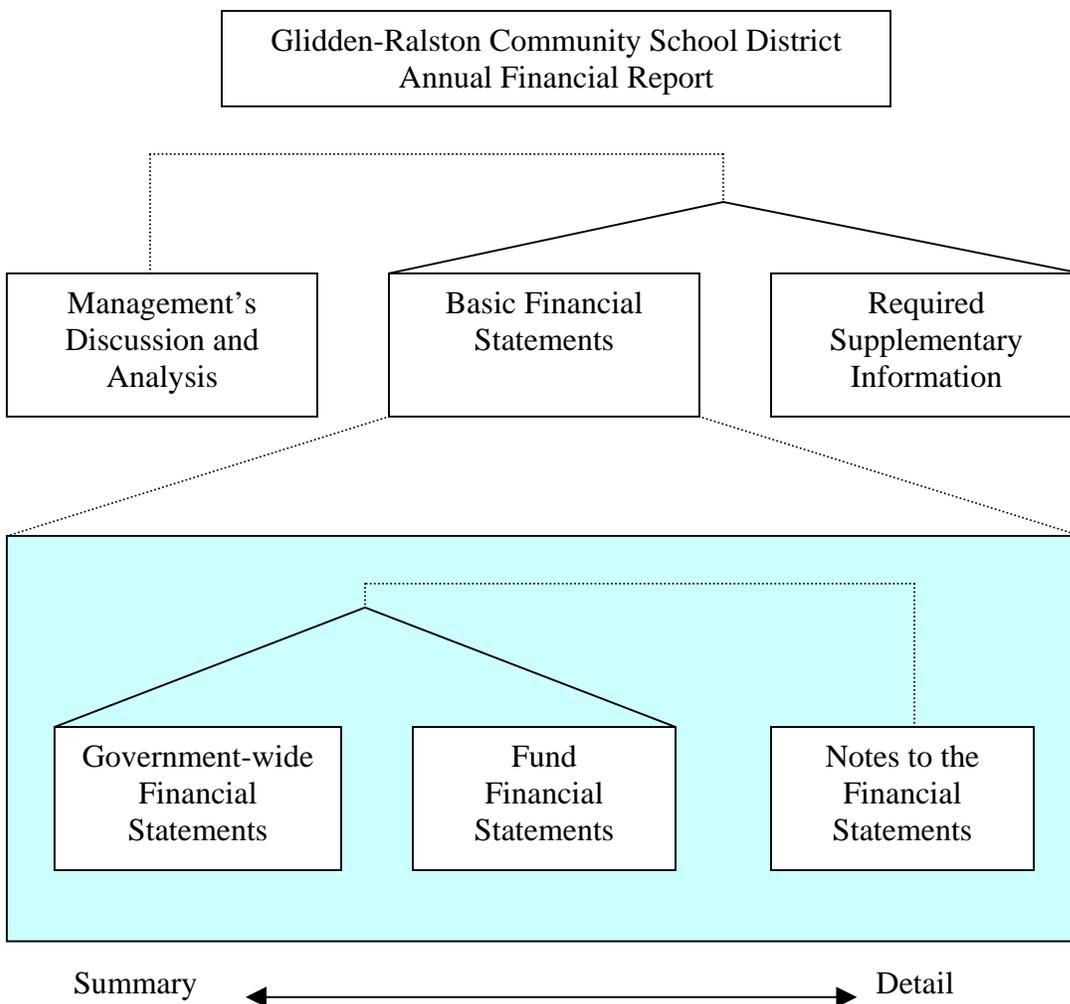


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

Figure A-2: Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds- Elmer Smith Trust)	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	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
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 • Statement of revenues, expenses and changes in net assets 	<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	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 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 overall financial position. 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.

- Over time, increases or decreases in the District’s net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall financial condition of the District additional non-financial factors, such as changes in the District’s property tax base and the condition of school buildings and other facilities should 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 is 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 two 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 government-wide statements. The District’s *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. *Internal service funds*, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. The District does not have any internal service funds.

Financial Analysis of the District as a Whole

Net assets. The District’s combined net assets increased by \$341,710 to \$2,332,420. The majority of this improvement in the financial position came from governmental activities, the net assets of which grew \$344,998. The net assets of the District’s business type activities decreased by \$3,288.

Figure A-3

Condensed Statement of Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total School District</u>
	<u>2004</u>	<u>2004</u>	<u>2004</u>
Current and other assets	\$2,612,993	\$3,676	\$2,616,669
Capital assets	3,741,055	23	3,741,078
Total Assets	6,354,048	3,699	6,357,747
Long-term liabilities	2,413,002	-	2,413,002
Other liabilities	1,609,421	2,904	1,612,325
Total liabilities	4,022,423	2,904	4,025,327
Net Assets:			
Invested in capital assets, net of related debt	1,356,055	23	1,356,078
Restricted	249,095	-	249,095
Unrestricted	726,475	772	727,247
TOTAL NET ASSETS	\$2,331,625	\$795	\$2,332,420

Changes in net assets. Fiscal year 2003-2004 marks the initial District implementation of the GASB-34 financial reporting model. As a result, prior year comparisons are not available but will be provided in all subsequent years. Figure A-4 reflects only totals from the current fiscal year ending June 30, 2004.

Figure A-4

Changes in Net Assets from Operating Results

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total School District</u>
	<u>2004</u>	<u>2004</u>	<u>2004</u>
Revenues			
Program Revenues			
Charges for services	\$263,922	\$101,952	\$365,874
Operating Grants & Contributions	420,910	59,190	480,100

Capital Grants & Contributions	62,832	-	62,832
General Revenues			
Property taxes & other taxes	1,489,837	-	1,489,837
Unrestricted State Grants	1,151,756	-	1,151,756
Unrestricted Investment Earnings	6,804	235	7,039
Other Revenue	<u>1,106</u>	<u>-</u>	<u>1,106</u>
Total Revenues	\$3,397,167	\$161,377	\$3,558,544
Expenses			
Instruction	1,970,975	-	1,970,975
Support Services	749,537	-	749,537
Non-Instructional Programs	-	164,665	164,665
Other Expenses	<u>331,657</u>	<u>-</u>	<u>331,657</u>
Total Expenses	\$3,052,169	\$164,665	\$3,216,834
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u><u>\$344,998</u></u>	<u><u>\$(3,288)</u></u>	<u><u>\$341,710</u></u>

As shown in the chart above, property tax, other local taxes and **unrestricted** state aid provide **78%** of the funding required for governmental programs while charges for services, operating grants, and contributions make up 100% of the funding for business-type activities.

The District had total revenues of \$3,558,544 of which \$3,397,167 was for governmental activities and \$161,377 was for business type activities.

Total revenues surpassed expenses, increasing net assets \$341,710 over last year. The governmental activities contributed to the increase.

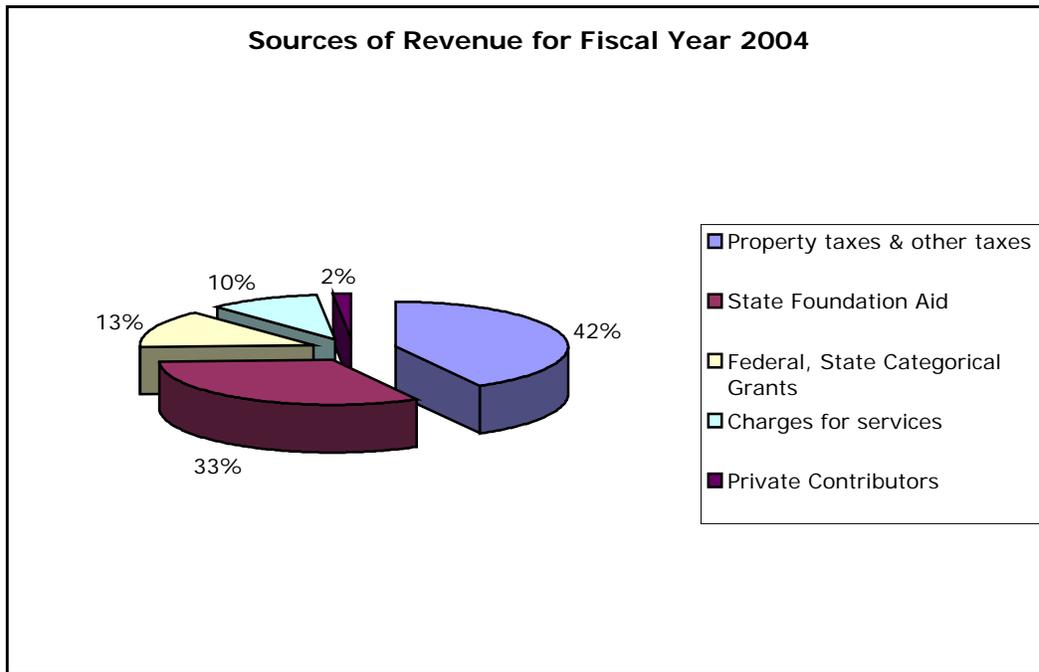


Figure A-5

The District’s predominant expenses are related to instruction, as can be seen in Figure A-6. Basic instructional services together with pupil & instructional services comprise 72% of the District’s expenses. The other expense area accounts for the next largest percentage of expenses at 11%. Other expenses include interest expense, unallocated depreciation expense, AEA flow-through, and food service expenses.

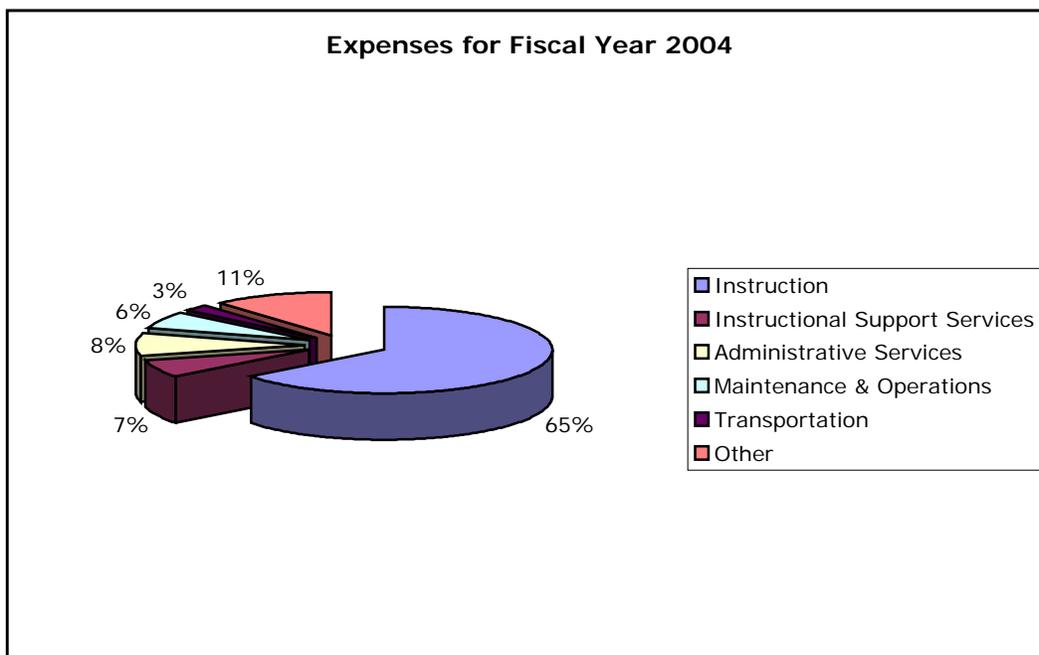


Figure A-6

Governmental Activities

Figure A-7 presents the cost of four major District 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
Net Cost of Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004
Instruction	\$1,970,975	\$1,446,977
Support Services	749,537	696,501
Non-instructional Programs	-	-
Other Expenses	331,657	161,027
TOTAL	\$3,052,169	\$2,304,505

- The cost of all governmental activities this year was \$3,052,169.
- \$263,922 of the cost was financed by the users of the Districts programs
- The federal and state governments and private contributors subsidized certain programs with grants and contributions of over \$483,742.
- Most of the District's costs of \$2,304,505, however, were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$1,489,837 in property and other local taxes and \$1,159,666 of unrestricted state aid based on the statewide finance formula.

Business Type Activities

Revenues of the District's business type activities (food and nutrition services) were comprised of charges for services or federal and state reimbursements. The District's business-type activities show a decrease in net assets with expenses exceeding revenues \$3,288 (See Figure A-4).

Financial Analysis of the District's Funds

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

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

As of the end of the current fiscal year, the Glidden-Ralston Schools governmental funds reported combined ending fund balances of \$927,605, an increase of \$355,143 in comparison with the prior year.

The General Fund is the chief operating fund of the Glidden-Ralston Schools. At the end of the current fiscal year, the fund balance of the General Fund was \$715,034. The fund balance of the Glidden-Ralston Schools general fund improved by \$340,300 during the current fiscal year. A key factor in this improvement was staff reductions in administrative and custodial positions. Another factor was the reduced deficit in special education.

Debt Service Fund Highlights

The Debt Service Fund is the bonds and interest fund of the Glidden-Ralston Schools. The Debt Service Fund started the year with a \$27,824 deficit fund balance, which increased to \$30,017 at June 30, 2004. The \$27,824 beginning deficit was created in fiscal year 2003, when the District budgeted to receive \$30,000 of contribution revenues from the Elmer Smith Trust in the Debt Service Fund, but none were recorded. Both deficits (\$27,824 and \$30,017) were the result of funds not being available for deposit until after the end of each fiscal year (2003 and 2004.) Funds were deposited in July following each fiscal year, thereby eliminating the deficits.

Management Fund Highlights

The Management Fund is the risk management (insurance) and retirement benefits fund of the Glidden-Ralston Schools. The Management fund ended the year with a \$-6,507 deficit, as a result of retirement benefits in excess of funds available during the 2004 school year. The Management fund levy has been increased in Fiscal Year 2006 Budget to address this situation.

Student Activity Account Highlights

The Student Activity Account is a special fund created to deposit and expend money related to district sponsored and supervised co-curricular activities for students. No taxes are levied for the fund. The Student Activity account started the year with \$20,768 and ended the year with \$12,427; expenditures exceeded revenue by \$8,341. Historically, general funds are transferred to the Student Activity Account. The account will be monitored; additional funds will be transferred as needed.

PPEL Fund Highlights

The Physical Plant and Equipment Levy (PPEL) is a special revenue fund limited to expenditures for facilities, grounds, and certain equipment. The PPEL account started the year with \$26,050 and ended the year with \$37,059.

Capital Projects Fund Highlights

The Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds and trust funds. The Capital Projects Fund account started the year with \$164,527 and ended the year with

\$199,985. This increase of \$35,458 was due state sales tax refunds for Phase I and II of the School Improvement Project.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased by \$3,288 during fiscal year 2004. Two factors combined to create the loss; lower meal sales due to lower student enrollment and higher food costs. The District intends to increase meal prices for the 2005 fiscal year. The District also plans to enter into a contract with Martin Bros. through the Iowa Education Cooperative to lower food costs.

Capital Asset and Debt Administration

Capital Assets

The Glidden-Ralston Schools investment in capital assets, net of accumulated depreciation, for its governmental and business type activities as of June 30, 2004 amounts to \$3,741,078. This investment in capital assets includes land, buildings, and equipment and furniture. The total decrease in the Glidden-Ralston School’s investment in capital assets for the current fiscal year was 3%. More detailed information about capital assets is available in note 3 to the financial statements.

Figure A-8 *Capital Assets (net of depreciation)*

	Governmental Activities 2004	Business- type Activities 2004	Total School District 2004
Land	10,000	-	10,000
Buildings	3,659,294	-	3,659,294
Equipment & Furniture	71,761	23	71,784
TOTAL	<u>3,741,055</u>	<u>23</u>	<u>3,741,078</u>

Long-Term Debt

At year-end, the District had \$2,413,002 in general obligation bonds and other long-term debt outstanding. More detailed information on the District’s capital assets and long-term debt can be found in the note 4 to the financial statements.

Figure A-9

Long-Term Debt

	Balance End of 2004	Due Within One Year
General obligation bonds	\$2,385,000	\$110,000
Early retirement	28,002	28,002
Total	<u>\$2,413,002</u>	<u>\$138,002</u>

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:

- All bargaining unit contracts are one-year contracts, and open for renegotiation for next year. Salary and benefits represent 82% of general fund expenditures. 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. Future increases in state aid to schools, (allowable growth) will be predicated upon the condition of the national economy.
- District enrollment decreased in fiscal year 2004-05 by 17 students. Under Iowa's school funding formula, District funding is highly dependant upon District enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- Forecasts for higher utility and fuel costs will require constant monitoring.

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 of the money it receives. If you have questions about this report or need additional financial information, contact Denise Best, Glidden-Ralston Community School District, 602 Idaho, Glidden, Iowa 51443.

BASIC FINANCIAL STATEMENTS

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,166,361	509	1,166,870
Receivables:			
Property tax:			
Delinquent	10,229	-	10,229
Succeeding year	1,226,577	-	1,226,577
Accounts	778	48	826
Due from other governments	209,048	-	209,048
Inventories	-	3,119	3,119
Capital assets, net of accumulated depreciation	3,741,055	23	3,741,078
Total assets	6,354,048	3,699	6,357,747
Liabilities			
Warrants issued in excess of bank balance	38,094	-	38,094
Accounts payable	38,836	301	39,137
Salaries and benefits payable	297,257	-	297,257
Accrued interest payable	8,657	-	8,657
Deferred revenue:			
Succeeding year property tax	1,226,577	-	1,226,577
Other	-	2,603	2,603
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	110,000	-	110,000
Early retirement	28,002	-	28,002
Portion due after one year:			
General obligation bonds payable	2,275,000	-	2,275,000
Total liabilities	4,022,423	2,904	4,025,327
Net assets			
Invested in capital assets, net of related debt	1,356,055	23	1,356,078
Restricted for:			
Capital outlay	236,668	-	236,668
Other special revenue purposes	12,427	-	12,427
Unrestricted	726,475	772	727,247
Total net assets	2,331,625	795	2,332,420

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	1,328,503	136,863	185,400	-
Special instruction	249,298	-	52,009	-
Other instruction	393,174	127,059	22,667	-
	<u>1,970,975</u>	<u>263,922</u>	<u>260,076</u>	<u>-</u>
Support services:				
Student services	142,473	-	53,005	-
Instructional staff services	62,310	-	-	-
Administration services	258,168	-	-	-
Operation and maintenance of plant services	194,765	-	-	-
Transportation services	91,821	-	31	-
	<u>749,537</u>	<u>-</u>	<u>53,036</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	24,576	-	-	34,235
Long-term debt interest	106,625	-	-	28,597
AEA flowthrough	107,798	-	107,798	-
Depreciation (unallocated)*	92,658	-	-	-
	<u>331,657</u>	<u>-</u>	<u>107,798</u>	<u>62,832</u>
Total governmental activities	3,052,169	263,922	420,910	62,832
Business type activities:				
Non-instructional programs:				
Food service operations	164,665	101,952	59,190	-
Total	<u>3,216,834</u>	<u>365,874</u>	<u>480,100</u>	<u>62,832</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues and transfers				

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.

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(1,006,240)	-	(1,006,240)
(197,289)	-	(197,289)
(243,448)	-	(243,448)
<u>(1,446,977)</u>	<u>-</u>	<u>(1,446,977)</u>
(89,468)	-	(89,468)
(62,310)	-	(62,310)
(258,168)	-	(258,168)
(194,765)	-	(194,765)
(91,790)	-	(91,790)
<u>(696,501)</u>	<u>-</u>	<u>(696,501)</u>
9,659	-	9,659
(78,028)	-	(78,028)
-	-	-
(92,658)	-	(92,658)
<u>(161,027)</u>	<u>-</u>	<u>(161,027)</u>
(2,304,505)	-	(2,304,505)
-	(3,523)	(3,523)
<u>(2,304,505)</u>	<u>(3,523)</u>	<u>(2,308,028)</u>
1,188,728	-	1,188,728
182,447	-	182,447
34,581	-	34,581
84,081	-	84,081
1,151,756	-	1,151,756
6,804	235	7,039
1,106	-	1,106
<u>2,649,503</u>	<u>235</u>	<u>2,649,738</u>
344,998	(3,288)	341,710
<u>1,986,627</u>	<u>4,083</u>	<u>1,990,710</u>
<u>2,331,625</u>	<u>795</u>	<u>2,332,420</u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2004

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	911,854	-	254,507	1,166,361
Receivables:				
Property tax:				
Delinquent	8,408	1,323	498	10,229
Succeeding year	972,304	183,876	70,397	1,226,577
Accounts	-	-	778	778
Due from other governments	209,048	-	-	209,048
Total assets	<u>2,101,614</u>	<u>185,199</u>	<u>326,180</u>	<u>2,612,993</u>
Liabilities and Fund Balances				
Liabilities:				
Warrants issued in excess of bank balance	-	31,340	6,754	38,094
Accounts payable	32,395	-	6,441	38,836
Salaries and benefits payable	297,257	-	-	297,257
Deferred revenue:				
Succeeding year property tax	972,304	183,876	70,397	1,226,577
Other	84,624	-	-	84,624
Total liabilities	<u>1,386,580</u>	<u>215,216</u>	<u>83,592</u>	<u>1,685,388</u>
Fund balances:				
Unreserved	715,034	(30,017)	242,588	927,605
Total liabilities and fund balances	<u>2,101,614</u>	<u>185,199</u>	<u>326,180</u>	<u>2,612,993</u>

GLIDDEN-RALSTON 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 (Exhibit C)	927,605
<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.	3,741,055
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	84,624
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	(8,657)
Long-term liabilities, including bonds payable and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,413,002)</u>
Net assets of governmental activities (Exhibit A)	<u><u>2,331,625</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2004

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,239,795	182,447	70,471	1,492,713
Tuition	120,103	-	-	120,103
Other	35,816	28,978	148,661	213,455
State sources	1,385,436	194	92	1,385,722
Federal sources	186,944	-	-	186,944
Total revenues	<u>2,968,094</u>	<u>211,619</u>	<u>219,224</u>	<u>3,398,937</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,262,142	-	56,659	1,318,801
Special instruction	249,298	-	-	249,298
Other instruction	272,221	-	120,953	393,174
	<u>1,783,661</u>	<u>-</u>	<u>177,612</u>	<u>1,961,273</u>
Support services:				
Student services	142,473	-	-	142,473
Instructional staff services	62,310	-	-	62,310
Administration services	258,168	-	-	258,168
Operation and maintenance of plant services	194,765	-	-	194,765
Transportation services	79,725	-	-	79,725
	<u>737,441</u>	<u>-</u>	<u>-</u>	<u>737,441</u>
Other expenditures:				
Facilities acquisition	-	-	24,576	24,576
Long-term debt:				
Principal	-	105,000	-	105,000
Interest and fiscal charges	-	108,812	-	108,812
AEA flowthrough	107,798	-	-	107,798
	<u>107,798</u>	<u>213,812</u>	<u>24,576</u>	<u>346,186</u>
Total expenditures	<u>2,628,900</u>	<u>213,812</u>	<u>202,188</u>	<u>3,044,900</u>
Excess (deficiency) of revenues over (under) expenditures	339,194	(2,193)	17,036	354,037
Other financing sources (uses):				
Compensation for loss of fixed assets	1,106	-	-	1,106
Net change in fund balances	340,300	(2,193)	17,036	355,143
Fund balances beginning of year, as restated	374,734	(27,824)	225,552	572,462
Fund balances end of year	<u>715,034</u>	<u>(30,017)</u>	<u>242,588</u>	<u>927,605</u>

See notes to financial statements.

GLIDDEN-RALSTON 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

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		355,143
<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 not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the year as follows:		
Expenditures for capital assets	-	
Depreciation expense	<u>(104,754)</u>	(104,754)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		(2,876)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		105,000
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.		2,187
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:		
Early retirement		<u>(9,702)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>344,998</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2004

	School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	509
Accounts receivable	48
Inventories	3,119
Capital assets, net of accumulated depreciation	<u>23</u>
Total assets	<u>3,699</u>
Liabilities	
Accounts payable	301
Deferred revenue	<u>2,603</u>
Total liabilities	<u>2,904</u>
Net assets	
Invested in capital assets, net of related debt	23
Unrestricted	<u>772</u>
Total net assets	<u><u>795</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2004

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>101,952</u>
Operating expenses:	
Non-instructional programs:	
Salaries	55,412
Benefits	11,693
Supplies	97,304
Depreciation	<u>256</u>
	<u>164,665</u>
Operating gain (loss)	<u>(62,713)</u>
Non-operating revenue:	
State sources	2,412
Federal sources	56,778
Interest income	<u>235</u>
Total non-operating revenue	<u>59,425</u>
Change in net assets	(3,288)
Net assets beginning of year	<u>4,083</u>
Net assets end of year	<u><u>795</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2004

	School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	101,382
Cash payments to employees for services	(67,105)
Cash payments to suppliers for goods or services	(85,591)
Net cash used by operating activities	<u>(51,314)</u>
Cash flows from non-capital financing activities:	
State grants received	2,412
Federal grants received	46,670
Net cash provided by non-capital financing activities	<u>49,082</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>235</u>
Net increase (decrease) in cash and cash equivalents	(1,997)
Cash and cash equivalents at beginning of year	<u>2,506</u>
Cash and cash equivalents at end of year	<u><u>509</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(62,713)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	10,108
Depreciation	256
Decrease (increase) in inventories	2,193
Decrease (increase) in accounts receivable	73
(Decrease) increase in accounts payable	(588)
(Decrease) increase in deferred revenue	(643)
Net cash used in operating activities	<u><u>(51,314)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$10,108 of federal commodities.

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies

Glidden-Ralston Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Glidden and Ralston, Iowa and the predominately agricultural territory in a portion of Carroll and Greene 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, Glidden-Ralston Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Elmer Smith Scholarship School Trust meets the criteria for a component unit.

The board of directors of the Glidden-Ralston Community School District are also the trustees of the Elmer Smith Scholarship School Trust. Up to 60% of the Trust's income may benefit the Glidden-Ralston Community School District, \$1,000 annually benefits other local charities and the rest of the income provides college scholarships to graduates of the Glidden-Ralston Community School District. Under U.S. generally accepted governmental accounting standards the Trust should be included the District's financial statements. The Trust has not been included in these financial statements upon the advice of the Trust's legal counsel.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

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

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 asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

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 instruction, support and other costs.

The Debt Service fund is utilized to account for the payments on long-term liabilities.

The District's major 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 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 judgements, 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 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, 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 became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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 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.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful lives</u>
Buildings	50 years
Improvements other than buildings	5-25 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 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 receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and 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 and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

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

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. During the year ended June 30, 2004, disbursements in the non-instructional programs function exceeded the amount budgeted.

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.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Boards Statement No. 3.

3. Capital Assets

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

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	4,740,696	-	-	4,740,696
Furniture and equipment	370,794	-	-	370,794
Total capital assets being deprec.	<u>5,111,490</u>	<u>-</u>	<u>-</u>	<u>5,111,490</u>
Less accumulated depreciation for:				
Buildings	991,092	90,310	-	1,081,402
Furniture and equipment	284,589	14,444	-	299,033
Total accumulated depreciation	<u>1,275,681</u>	<u>104,754</u>	<u>-</u>	<u>1,380,435</u>
Total capital assets being depreciated, net	<u>3,835,809</u>	<u>(104,754)</u>	<u>-</u>	<u>3,731,055</u>
Governmental activities capital assets, net	<u>3,845,809</u>	<u>(104,754)</u>	<u>-</u>	<u>3,741,055</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	104,153	-	-	104,153
Less accumulated depreciation	<u>103,874</u>	<u>256</u>	<u>-</u>	<u>104,130</u>
Business type activities capital assets, net	<u>279</u>	<u>(256)</u>	<u>-</u>	<u>23</u>

Depreciation expense was charged to the following functions:

	\$
Support Services:	
Transportation	12,096
Unallocated depreciation	<u>92,658</u>
Total depreciation expense – governmental activities	<u>104,754</u>
Business type activities:	
Food services	<u>256</u>

4. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	2,490,000	-	105,000	2,385,000	110,000
Early retirement	18,300	28,002	18,300	28,002	28,002
Total	2,508,300	28,002	123,300	2,413,002	138,002

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age [fifty-five](#) and must have completed twenty years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on salary in the year of retirement. Early retirement expenditures for the year ended June 30, [2004](#) totaled \$18,300.

General Obligation Bonds Payable

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

Bond Issue of April 2001				
Year Ended June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005	4.70	35,000	92,878	127,878
2006	4.70	35,000	91,232	126,232
2007	4.70	35,000	89,588	124,588
2008	4.70	35,000	87,943	122,943
2009	4.70	40,000	86,298	126,298
2010-2014	4.70-4.75	625,000	374,779	999,779
2015-2019	4.80-5.0	905,000	190,990	1,095,990
2020	5.0	210,000	10,500	220,500
		<u>1,920,000</u>	<u>1,024,208</u>	<u>2,944,208</u>
Bond Issue April 1, 2003				
Year Ended June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005	1.50	75,000	10,988	85,988
2006	1.75	75,000	9,862	84,862
2007	2.00	80,000	8,550	88,550
2008	2.50	85,000	6,950	91,950
2009	3.00	85,000	4,825	89,825
2010	3.50	65,000	2,275	67,275
		<u>465,000</u>	<u>43,450</u>	<u>508,450</u>
Total		<u>2,385,000</u>	<u>1,067,658</u>	<u>3,452,658</u>

5. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$98,617, \$104,233, and \$103,292 respectively, equal to the required contributions for each year.

6. Risk Management

Glidden-Ralston Community School District is a member in the Iowa School Employees Benefits Association, an 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 fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash 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. The District's annual contributions to ISEBA for the year ended June 30, 2004, were \$7,962.

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.

Glidden-Ralston 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.

7. 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 \$107,798 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.

8. Accounting Change and Restatement

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

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

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

	Fund			Total
	General	Debt Service	Nonmajor	
Net assets, June 30, 2003, as previously reported	\$ 374,734	(27,824)	\$ 207,252	\$ 554,162
GASB Interpretation 6 adjustments	-	-	18,300	18,300
Net assets, July 1, 2003, as restated for governmental funds	<u>374,734</u>	<u>(27,824)</u>	<u>225,552</u>	<u>572,462</u>
GASB 34 adjustments:				
Capital assets net of accumulated depreciation of \$1,275,681				3,845,809
Long-term liabilities:				
Bonds				(2,490,000)
Early retirement				(18,300)
Accrued interest payable				(10,844)
Deferred revenue				<u>87,500</u>
Net assets, July 1, 2003, as restated				<u>1,986,627</u>

9. Financial Condition

The Debt Service Fund and the Management Fund have deficit fund balances of \$30,017 and \$6,507 respectfully at June 30, 2004.

REQUIRED SUPPLEMENTARY INFORMATION

GLIDDEN-RALSTON 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 Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	1,799,794	101,617	1,901,411	1,911,212	1,911,212	(9,801)
State sources	1,390,762	2,412	1,393,174	1,417,696	1,417,696	(24,522)
Federal sources	142,467	56,778	199,245	112,225	112,225	87,020
Total receipts	<u>3,333,023</u>	<u>160,807</u>	<u>3,493,830</u>	<u>3,441,133</u>	<u>3,441,133</u>	<u>52,697</u>
Disbursements:						
Instruction	1,930,045	-	1,930,045	1,976,268	1,976,268	46,223
Support services	741,305	-	741,305	876,270	876,270	134,965
Non-instructional programs	-	162,804	162,804	141,078	141,078	(21,726)
Other disbursements	346,186	-	346,186	353,905	353,905	7,719
Total disbursements	<u>3,017,536</u>	<u>162,804</u>	<u>3,180,340</u>	<u>3,347,521</u>	<u>3,347,521</u>	<u>167,181</u>
Excess (deficiency) of receipts over (under) disbursements	315,487	(1,997)	313,490	93,612	93,612	219,878
Other financing sources (uses) net	<u>1,106</u>	<u>-</u>	<u>1,106</u>	<u>-</u>	<u>-</u>	<u>1,106</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	316,593	(1,997)	314,596	93,612	93,612	220,984
Balance beginning of year	<u>811,674</u>	<u>2,506</u>	<u>814,180</u>	<u>390,720</u>	<u>390,720</u>	<u>423,460</u>
Balance end of year	<u><u>1,128,267</u></u>	<u><u>509</u></u>	<u><u>1,128,776</u></u>	<u><u>484,332</u></u>	<u><u>484,332</u></u>	<u><u>644,444</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	3,333,023	65,914	3,398,937
Expenditures	3,017,536	27,364	3,044,900
Net	315,487	38,550	354,037
Other financing sources (uses) net	1,106	-	1,106
Beginning fund balances	811,674	(239,212)	572,462
Ending fund balances	1,128,267	(200,662)	927,605

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	\$	\$	\$
Revenues	160,807	570	161,377
Expenditures	162,804	1,861	164,665
Net	(1,997)	(1,291)	(3,288)
Beginning fund balances	2,506	1,577	4,083
Ending fund balances	509	286	795

GLIDDEN-RALSTON 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 Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the [cash basis](#). Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

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

During the year ended June 30, [2004](#), disbursements in the non-[instructional programs](#) function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds				Total
	Management	Student	Physical	Capital	
	Levy	Activity	Plant and	Projects	
		Equipment			
	\$	\$	\$	\$	\$
Cash and pooled investments	-	17,714	36,808	199,985	254,507
Receivables:					
Property tax:					
Delinquent	247	-	251	-	498
Succeeding year	42,000	-	28,397	-	70,397
Accounts	-	778	-	-	778
Total assets	42,247	18,492	65,456	199,985	326,180
Liabilities & Fund Balances					
Liabilities:					
Warrants issued in excess of bank balance	6,754	-	-	-	6,754
Accounts payable	-	6,065	-	376	6,441
Deferred revenue:					
Succeeding year property tax	42,000	-	28,397	-	70,397
Total liabilities	48,754	6,065	28,397	376	83,592
Fund balances:					
Unreserved fund balance	(6,507)	12,427	37,059	199,609	242,588
Total liabilities and fund balances	42,247	18,492	65,456	199,985	326,180

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2004

	<u>Special Revenue Funds</u>				Total
	Management	Student	Physical	Capital	
	Levy	Activity	Plant and	Projects	
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	35,890	-	34,581	-	70,471
Other	-	112,612	591	35,458	148,661
State sources	55	-	37	-	92
Total revenues	<u>35,945</u>	<u>112,612</u>	<u>35,209</u>	<u>35,458</u>	<u>219,224</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	56,659	-	-	-	56,659
Other instruction	-	120,953	-	-	120,953
Support services:					
Other expenditures:					
Facilities acquisition	-	-	24,200	376	24,576
Total expenditures	<u>56,659</u>	<u>120,953</u>	<u>24,200</u>	<u>376</u>	<u>202,188</u>
Excess (deficiency) of revenues over (under) expenditures	(20,714)	(8,341)	11,009	35,082	17,036
Fund balances beginning of year, as restated	<u>14,207</u>	<u>20,768</u>	<u>26,050</u>	<u>164,527</u>	<u>225,552</u>
Fund balances end of year	<u>(6,507)</u>	<u>12,427</u>	<u>37,059</u>	<u>199,609</u>	<u>242,588</u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance	Revenues	Expenditures	Balance End
	Beginning of			of Year
	Year			
	\$	\$	\$	\$
Drama	(1,074)	712	1,230	(1,592)
Vocal	(509)	1,347	1,106	(268)
Instrumental	200	6,965	6,951	214
Instrument repair and resale	(127)	-	30	(157)
Boys high school basketball	(5,385)	7,369	5,954	(3,970)
Junior high basketball	(1,032)	82	1,448	(2,398)
High school football	2,410	6,601	7,511	1,500
Junior high football	(2,365)	-	338	(2,703)
Baseball	(3,411)	1,229	2,634	(4,816)
Boys high school track	(768)	305	766	(1,229)
Girls high school basketball	1,857	-	934	923
Basketball cheerleaders	430	337	176	591
Volleyball	1,317	2,266	2,334	1,249
Junior high volleyball	(520)	420	987	(1,087)
Softball	(1,776)	6,289	3,732	781
Girls high school track	74	330	1,810	(1,406)
Junior high track	(105)	320	445	(230)
Lab fees	-	50	50	-
Text	1,305	1,223	-	2,528
Change (net)	(450)	-	-	(450)
Petty cash	175	-	-	175
Towels & padlocks	575	1,065	-	1,640
Resale	(5,800)	5,086	5,267	(5,981)
Activity tickets	6,355	6,664	80	12,939
Football cheerleaders	(12)	-	258	(270)
Class of 2002	101	-	-	101
Class of 2003	1,896	-	1,798	98
Class of 2004	(239)	1,680	1,471	(30)
Class of 2005	2,134	1,808	3,944	(2)
Class of 2006	1,409	1,835	211	3,033
Class of 2007	390	1,715	931	1,174
Class of 2008	696	1,020	331	1,385
Class of 2009	-	79	-	79
FFA	14,771	23,281	27,597	10,455
FHA	513	1,396	1,639	270
Golf	(821)	961	824	(684)
AD supplies	40	14,787	23,018	(8,191)
Science club	(738)	1,107	787	(418)
Spanish club	1,483	794	956	1,321

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Art club	808	360	-	1,168
Student council	3,716	2,341	2,159	3,898
Yearbook	5,396	9,394	8,065	6,725
Glidden school newspaper	1,186	616	453	1,349
Beginning accrual entries	(3,337)	-	(3,337)	-
Ending accrual entries	-	778	6,065	(5,287)
	<u>20,768</u>	<u>112,612</u>	<u>120,953</u>	<u>12,427</u>
Totals	<u>20,768</u>	<u>112,612</u>	<u>120,953</u>	<u>12,427</u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,492,713	1,432,979	1,403,028	1,410,913
Tuition	120,103	107,939	91,605	108,506
Other	213,455	160,354	260,721	241,344
State sources	1,385,722	1,512,614	1,848,853	1,321,797
Federal sources	186,944	201,311	101,425	89,658
Total revenues	<u>3,398,937</u>	<u>3,415,197</u>	<u>3,705,632</u>	<u>3,172,218</u>
Expenditures:				
Instruction:				
Regular instruction	1,318,801	1,292,268	1,524,775	1,355,531
Special instruction	249,298	288,332	367,989	219,042
Other instruction	393,174	385,160	238,192	345,609
Support services:				
Student services	142,473	141,113	129,606	183,154
Instructional staff services	62,310	67,260	70,134	88,114
Administration services	258,168	377,562	334,608	289,402
Operation and maintenance of plant services	194,765	199,920	222,210	257,615
Transportation services	79,725	80,847	81,232	90,727
Other expenditures:				
Facilities acquisition	24,576	801,454	1,607,992	176,857
Long-term debt:				
Principal	105,000	90,000	70,000	50,000
Interest and other charges	108,812	138,948	149,709	39,840
AEA flowthrough	107,798	116,673	112,027	113,268
Total expenditures	<u>3,044,900</u>	<u>3,979,537</u>	<u>4,908,474</u>	<u>3,209,159</u>

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

To the Board of Education of the
Glidden-Ralston Community School District:

We have audited the financial statements of the primary government of the Glidden-Ralston Community School District as of and for the year ended June 30, 2004, and have issued our report dated November 17, 2004. 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.

Compliance

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for items 04-II-A, 04-II-B, 04-II-E, 04-II-J, 04-II-K and 04-II-L.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Glidden-Ralston 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 judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the [Glidden-Ralston](#) Community School District and other parties to whom the 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 [Glidden-Ralston](#) 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

November 17, [2004](#)

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

04-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

04-I-B Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The stamp is under the care, custody, and control of the administrative office. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate a person other than the Board President to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

04-II-A Official Depositories: Official bank depository amounts were not recorded in the minutes.

Recommendation: The District should record in the minutes annually the official depository amounts approved by the board for each bank.

District Response: The board did approve a depository resolution in June 2004 and we will be doing a resolution annually in the future.

Conclusion: Response accepted

04-II-B Certified Budget: Disbursements for the year ended June 30, 2004, exceeded the amounts budgeted in the non-instructional programs functional 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.

District Response: We will amend our budget before disbursements exceed the budget.

Conclusion: Response accepted.

04-II-C Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

04-II-D Travel Expenses: 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.

04-II-E Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
◆ Sue Freml, Board Member, Vice President at First Bank and Trust	Bank Officer	-

The Board member is an officer of the bank that handles the majority of the bank transactions for the District. The Board should be mindful of the potential for a conflict when the bank may indirectly benefit from Board action.

Recommendation: The District should consult legal counsel to determine the disposition of these matters.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

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

04-II-F Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.

04-II-G Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

04-II-H Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.

04-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

04-II-J Certified Annual Report (CAR): The CAR was not filed with the Department of Education in a timely manner. We noted no significant deficiencies in the amounts reported.

Recommendation: The District should file their CAR in a timely manner

District Response: We will do so in the future.

Conclusion: Response accepted.

04-II-K Financial Condition: The District has deficit fund balances in the [Debt Service and Special Revenue, Management Funds](#) of \$30,017 and \$6,507, respectively; also, the Student Activity Fund has several accounts with deficit balances at June 30, 2004.

Recommendation: The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits.

District Response: We are working on ways to eliminate the deficits.

Conclusion: Response accepted.

04-II-L Reclassification of Student Activity Fund Accounts: There are some accounts in the Student Activity Fund that may belong more appropriately in other funds.

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.