GRISWOLD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

Contents

		Page
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	Exhibit	
Government-Wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14-15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Propriety Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	21
Statement of Cash Flows	I	22
Notes to Financial Statements		23-32
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual(GAAP Basis) - All Governmental Funds and Proprietary Fund		33-34
Notes to Required Supplementary Information - Budgetary Reporting		35
Other Supplementary Information:	Schedule	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	37
Schedule of Changes in Student Activity Accounts	3	38
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4	39
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		40-41
Schedule of Findings		42-44

Griswold Community School District

Officials

Name	Title	Term Expires
Board of Education (Before September 2003 Election)		
Scott Hansen	President	2004
Linda Jahnke	Vice President	2003
Clarion Campbell	Board Member	2004
Terry Whiley	Board Member	2005
Jo Beth Reynolds	Board Member	2005
Mary Perdue	Board Member	2005
Cherie Miner	Board Member	2003
Board of Education (After September 2003 Election)		
Terry Whiley	President	2005
Jo Beth Reynolds	Vice President	2005
Scott Hansen	Board Member	2004
Linda Jahnke	Board Member	2006
Cherie Miner	Board Member	2006
Mary Perdue	Board Member	2005
Clarion Campbell	Board Member	2004
School Officials		
Philip Rink	Superintendent	2004
Mary Beth Fast	District Secretary/ Treasurer and Business Manager	2004
Rawson Stevens	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
Griswold 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 Griswold 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 Griswold 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.

As described in Note 8 to the financial statements, during the year ended June 30, 2004, Griswold Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated October 13, 2004, on our consideration of the Griswold Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of

laws, regulations, contracts and grants. That report is 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 12 and 33 through 35 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 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 Griswold 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 an unqualified opinion on those 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.

Nolte, Cornman & Johnson P.C.

NOLTE, CORNMAN & JOHNSON, P.C.

October 13, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from $4,748,189 in fiscal 2003 to $4,887,510 in fiscal 2004, while General Fund expenditures increased from $4,569,257 in fiscal 2003 to $4,664,789 in fiscal 2004. This resulted in an increase in the District's General Fund balance from $798,671 in fiscal 2003 to a balance of $1,021,754 in fiscal 2004, a 28% increase from the prior year. This increase in fund balance is due, in part, to a conscience effort by the District to reduce expenditures. This included delay of a bus purchase, conservative instructional material expenditures, and savings to the District due to lower employment replacement salaries.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Griswold Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Griswold Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Griswold Community School District acts solely as an agent or custodial for the benefit of those outside of County government.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
Griswold Community School District Annual Financial Report

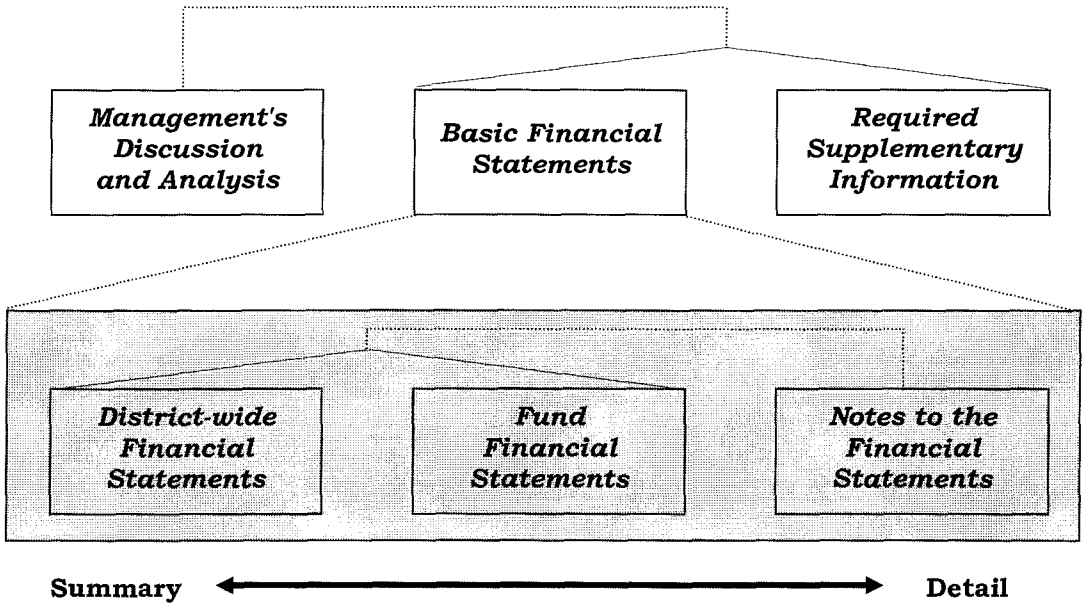

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary 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
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition 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 accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

1) *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 fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

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

2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Current and other assets	$ 4,127,977	68,253	4,196,230
Capital assets	2,667,502	28,056	2,695,558
Total assets	6,795,479	96,309	6,891,788
Long-term obligations	553,914	0	553,914
Other liabilities	2,653,069	23,087	2,676,156
Total liabilities	3,206,983	23,087	3,230,070
Net assets:			
Invested in capital assets, net of related debt	2,199,105	28,056	2,227,161
Restricted	381,551	0	381,551
Unrestricted	1,007,840	45,166	1,053,006
Total net assets	$ 3,588,496	73,222	3,661,718

The District's combined net assets increased by nearly 16% or $533,790, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

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

Figure A-4
Changes of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Revenues:			
Program revenues:			
Charges for services	$ 410,097	176,412	586,509
Operating grants and contributions and restricted interest	620,790	104,598	725,388
General revenues:			
Property tax	2,310,506	0	2,310,506
Local option sales and service tax	109,591	0	109,591
Unrestricted state grants	2,191,114	0	2,191,114
Unrestricted investment earnings	4,276	147	4,423
Total revenues	5,646,374	281,157	5,927,531
Program expenses:			
Governmental activities:			
Instructional	3,294,020	0	3,294,020
Support services	1,399,275	0	1,399,275
Non-instructional programs	5,533	280,094	285,627
Other expenses	411,546	0	411,546
Total expenses	5,110,374	280,094	5,390,468
Change in net assets	$ 536,000	1,063	537,063

Property tax and unrestricted state grants account for approximately 80% of the total revenue. The District's expenses primarily relate to instruction and support services which account for approximately 92% of the total expenses.

Governmental Activities

Revenues for governmental activities were $5,646,374 and expenses were $5,110,374.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	$ 3,294,020	2,455,379
Support services	1,399,275	1,396,429
Non-instructional	5,533	5,533
Other expenses	411,546	222,146
Totals	$ 5,110,374	4,079,487

- The cost financed by users of the District's programs was $410,097.

- Federal and state governments subsidized certain programs with grants and contributions totaling $620,790.

- The net cost of governmental activities was financed with $2,420,097 in property and other taxes and $2,191,114 in unrestricted state grants.

Business-Type Activities

Revenues of the District's business-type activities were $281,157 and expenses were $280,094. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of $1,478,181, above last year's ending fund balances of a $1,122,572.

Governmental Fund Highlights

- The General Fund balance increased from $798,671 to $1,021,754. This was primarily due to the reduced expenditures for the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from $72,159 at June 30, 2003 to $73,222 at June 30, 2004, representing an increase of approximately 2%.

BUDGETARY HIGHLIGHTS

The District's revenues were $242,905 less than budgeted receipts, a variance of 3.94%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested $2,695,558, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net

decrease of 3% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was $179,428.

The original cost of the District's capital assets was $5,154,239. Governmental funds account for $5,056,495 with the remainder of $97,744 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled $2,357,928, net of accumulated depreciation, at June 30, 2004, compared to $2,395,779 reported at June 30, 2003.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities	Business-type Activities	Total School District
	2004	2004	2004
Land	$ 81,302	0	81,302
Construction in progress	2,362	0	2,362
Buildings	2,357,928	0	2,357,928
Improvements other than buildings	38,576	0	38,576
Machinery and equipment	187,334	28,056	215,390
Total	$ 2,667,502	28,056	2,695,558

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- An Instructional Support Levy was passed in the spring of 2004. This revenue will help offset increased technology expenditures.
- The District has faced declining enrollment since FY 2002.
- The District can look forward to increased revenues for the Capital Projects Fund due to the passage of the Local Option Sales Tax in Cass County in the fall of 2004. This, coupled with the opening of a Super Center Wal-Mart in the spring of 2005 will bolster revenues and allow funds for capital expenditures and infrastructure.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Beth Fast, District Secretary/Business Manager, Griswold Community School District, 20 Madison Street, P.O. Box 280, Griswold, Iowa, 51535.

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:			
Other	1,894,390	59,956	1,954,346
Receivables			
Property tax:			
Delinquent	48,225	0	48,225
Succeeding year	2,096,493	0	2,096,493
Accounts	4,121	104	4,225
Due from other governments	84,748	0	84,748
Inventories	0	8,193	8,193
Capital assets, net of accumulated depreciation(Note 3)	2,667,502	28,056	2,695,558
TOTAL ASSETS	6,795,479	96,309	6,891,788
LIABILITIES			
Accounts payable	5,709	629	6,338
Salaries and benefits payable	478,046	19,161	497,207
Due to other governments	69,548	0	69,548
Accrued interest payable	3,273	0	3,273
Deferred revenue:			
Succeeding year property tax	2,096,493	0	2,096,493
Other	0	3,297	3,297
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	295,000	0	295,000
Early retirement	6,957	0	6,957
Portion due after one year:			
General obligation bonds payable	245,000	0	245,000
Early retirement	6,957	0	6,957
TOTAL LIABILITIES	3,206,983	23,087	3,230,070
NET ASSETS			
Investment in capital assets, net of related debt	2,199,105	28,056	2,227,161
Restricted for:			
Capital projects	123,028	0	123,028
Management levy	118,885	0	118,885
Physical plant and equipment levy	54,503	0	54,503
Other special revenue purposes	85,135	0	85,135
Unrestricted	1,007,840	45,166	1,053,006
TOTAL NET ASSETS	$ 3,588,496	73,222	3,661,718

SEE NOTES TO FINANCIAL STATEMENTS.

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	$ 2,150,366	395,139	405,727
Special instruction	682,214	12,112	25,663
Other instruction	461,440	0	0
	3,294,020	407,251	431,390
Support services:			
Student services	56,634	0	0
Instructional staff services	167,608	0	0
Adminstration services	496,358	0	0
Operation and maintenance of plant services	369,386	0	0
Transportation services	304,414	2,846	0
Central services	4,875	0	0
	1,399,275	2,846	0
Non-instructional programs	5,533	0	0
Other expenditures:			
Facilities acquisitions	112,141	0	0
Long-term debt interest	27,060	0	0
AEA flowthrough	189,400	0	189,400
Depreciation(unallocated)*	81,520	0	0
	410,121	0	189,400
Total governmental activities	5,108,949	410,097	620,790
Business-Type activities:			
Non-instructional programs:			
Nutrition services	280,094	176,412	104,598
Total business-type activities	280,094	176,412	104,598
Total	$ 5,389,043	586,509	725,388
General Revenues:			
Property tax levied for:			
General purposes			
Debt service			
Capital outlay			
Local option sales and services			
Unrestricted state grants			
Unrestricted investment earnings			
Total general revenues			
Changes in net assets			
Net assets beginning of year, as restated(Note 8)			
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
(1,349,500)	0	(1,349,500)
(644,439)	0	(644,439)
(461,440)	0	(461,440)
(2,455,379)	0	(2,455,379)
(56,634)	0	(56,634)
(167,608)	0	(167,608)
(496,358)	0	(496,358)
(369,386)	0	(369,386)
(301,568)	0	(301,568)
(4,875)	0	(4,875)
(1,396,429)	0	(1,396,429)
(5,533)		(5,533)
(112,141)	0	(112,141)
(27,060)	0	(27,060)
0	0	0
(81,520)	0	(81,520)
(220,721)	0	(220,721)
(4,078,062)	0	(4,078,062)
0	916	916
0	916	916
(4,078,062)	916	(4,077,146)
$ 1,944,651	0	1,944,651
311,339	0	311,339
54,516	0	54,516
109,591	0	109,591
2,191,114	0	2,191,114
4,276	147	4,423
4,615,487	147	4,615,634
537,425	1,063	538,488
3,051,071	72,159	3,123,230
$ 3,588,496	73,222	3,661,718

Exhibit C

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

	General	Other Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments:			
Other	1,462,902	431,488	1,894,390
Receivables:			
Property tax:			
Delinquent	38,492	9,733	48,225
Succeeding year	1,664,102	432,391	2,096,493
Accounts	4,011	110	4,121
Due from other governments	67,641	17,107	84,748
TOTAL ASSETS	$ 3,237,148	890,829	4,127,977
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 3,698	2,011	5,709
Salaries and benefits payable	478,046	0	478,046
Due to other governments	69,548	0	69,548
Deferred revenue:			
Succeeding year property tax	1,664,102	432,391	2,096,493
Total liabilities	2,215,394	434,402	2,649,796
Fund balances:			
Reserved for:			
Debt Service	0	74,876	74,876
Capital Projects	0	123,028	123,028
Unreserved:			
Undesignated	1,021,754	258,523	1,478,181
Total fund balances	1,021,754	456,427	1,478,181
TOTAL LIABILITIES AND FUND BALANCES	$ 3,237,148	890,829	4,127,977

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit D

GRISWOLD 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 16)	$	1,478,181
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		2,667,502
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.		(3,273)
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds.		(553,914)
Net assets of governmental activites(page 13)	$	3,588,496

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit E

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

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	$ 1,844,283	575,814	2,420,097
Tuition	191,255	0	191,255
Other	40,393	182,363	222,756
State sources	2,609,067	325	2,609,392
Federal sources	202,512	0	202,512
Total revenues	4,887,510	758,502	5,646,012
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	2,113,619	2,386	2,116,005
Special instruction	681,874	0	681,874
Other instruction	333,197	134,309	467,506
	3,128,690	136,695	3,265,385
Support services:			
Student services	56,634	0	56,634
Instructional staff services	164,908	0	164,908
Administration services	485,320	15,966	501,286
Operation and maintenance of plant services	391,413	29,442	420,855
Transportation services	238,357	17,906	256,263
Central services	4,875	0	4,875
	1,341,507	63,314	1,404,821
Non-instructional programs	5,192	341	5,533
Other expenditures:			
Facilities acquisitions	0	112,141	112,141
Long-term debt:			
Principal	0	285,000	285,000
Interest and fiscal charges	0	28,485	28,485
AEA flowthrough	189,400	0	189,400
	189,400	425,626	615,026
Total expenditures	4,664,789	625,976	5,290,765
Excess of revenues over expenditures	222,721	132,526	355,247
Other financing sources (uses):			
Sale of equipment	362	0	362
Total other financing sources (uses)	362	0	362
Net change in fund balances	223,083	132,526	355,609
Fund balance beginning of year, as restated(Note 8)	798,671	323,901	1,122,572
Fund balance end of year	$ 1,021,754	456,427	1,478,181

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit F

GRISWOLD 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 18)		$ 355,609
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are 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	$ 81,987	
Depreciation expense	(172,682)	(90,695)
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liablilities in the Statement of Net Assets. Current year repayments were as follows:		
Repaid		285,000
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.		1,425
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therfore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement		(13,914)
Changes in net assets of governmental activities (page 15)		$ 537,425

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit G

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition
ASSETS	
Cash and pooled investments	$ 59,956
Accounts receivable	104
Inventories	8,193
Capital assets, net of accumulated depreciation	28,056
Total assets	96,309
LIABILITIES	
Accounts payable	629
Salaries and benefits payable	19,161
Deferred Revenue	3,297
Total liabilities	23,087
NET ASSETS	
Invested in capital assets, net of related debt	28,056
Unrestricted	45,166
Total net assets	$ 73,222

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit H

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	$ 176,412
TOTAL OPERATING REVENUES	176,412
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	104,503
Benefits	13,861
Services	117,192
Supplies	37,792
Depreciation	6,746
TOTAL OPERATING EXPENSES	280,094
OPERATING LOSS	(103,682)
NON-OPERATING REVENUES:	
State sources	3,901
Federal sources	100,697
Interest on investments	147
TOTAL NON-OPERATING REVENUES	104,745
Change in net assets	1,063
Net assets beginning of year	72,159
Net assets end of year	$ 73,222

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit I

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	$ 170,123
Cash received from miscellanous operating activities	6,220
Cash payments to employees for services	(117,276)
Cash payments to suppliers for goods or services	(136,457)
Net cash used in operating activities	(77,390)
Cash flows from non-capital financing activities:	
State grants received	3,901
Federal grants received	82,475
Net cash provided by non-capital financing activities	86,376
Cash flows from capital and related financing activities:	
Purchase of capital assets	(2,176)
Net cash used in capital and related financing activities	(2,176)
Cash flows from investing activities:	
Interest on investments	147
Net cash provided by investing activities	147
Net increase in cash and cash equivalents	6,957
Cash and cash equivalents at beginning of year	52,999
Cash and cash equivalents at end of year	$ 59,956
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (103,682)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	18,222
Depreciation	6,746
Decrease in inventories	85
Decrease in accounts receivable	49
Increase in accounts payable	220
Increase in salaries and benefits payable	1,088
Decrease in deferred revenue	(118)
Net cash used in operating activities	$ (77,390)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	$ 59,956

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2004, the District received Federal commodities valued at $18,222.

SEE NOTES TO FINANCIAL STATEMENTS.

(1) Summary of Significant Accounting Policies

The Griswold 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 are served includes the city of Griswold, Iowa, and the predominate agricultural territory in Montgomery, Adams, Cass, and Pottawattamie 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, Griswold 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 Griswold 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 Montgomery, Adams, Cass, and Pottawattamie County 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 proprietary fund:

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

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	$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500

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

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

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 expenditures in the other expenditures functional program area exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2004 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool 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 $873,776 pursuant to Rule 2A-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 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) Capital Assets

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

	Balance Beginning of Year, as restated (Note 8)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 81,302	0	0	81,302
Construction in progress	0	2,362	0	2,362
Total capital assets not being depreciated	81,302	2,362	0	83,664
Capital assets being depreciated:				
Buildings	4,095,388	43,669	0	4,139,057
Improvements other than buildings	44,303	4,400	0	48,703
Machinery and equipment	774,115	31,556	20,600	785,071
Total capital assets being depreciated	4,913,806	79,625	20,600	4,972,831
Less accumulated depreciation for:				
Buildings	1,699,609	81,520	0	1,781,129
Improvements other than buildings	7,691	2,436	0	10,127
Machinery and equipment	529,611	88,726	20,600	597,737
Total accumulated depreciation	2,236,911	172,682	20,600	2,388,993
Total capital assets being depreciated, net	2,676,895	(93,057)	0	2,583,838
Governmental activities capital assets, net	$ 2,758,197	(90,695)	0	2,667,502

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	$ 95,568	2,176	0	97,744
Less accumulated depreciation	62,942	6,746	0	69,688
Business-type activities capital assets, net	$ 32,626	(4,570)	0	28,056

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	$ 27,364
Special	340
Other	5,996
Support services:	
Instructional Staff	2,700
Administration	4,161
Operation and maintenance of plant	2,450
Transportation	48,151
	91,162
Unallocated depreciation	81,520
Total governmental activities depreciation expense	$ 172,682
Business-type activities:	
Food services	$ 6,746
Total business-type activities depreciation expense	$ 6,746

(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	$ 825,000	0	285,000	540,000	295,000
Early Retirement	0	13,914	0	13,914	6,957
Total	$ 825,000	13,914	285,000	553,914	301,957

General Obligation Bonds Payable

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

Year Ending June 30,	Bond issue dated May 1, 2002			
	Interest Rates	Principal	Interest	Total
2005	3.00	$ 295,000	19,635	314,635
2006	3.50	245,000	9,310	254,310
Total		$ 540,000	28,945	568,945

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 years of service multiplied by the amounts from the early retirement schedule found in the District's early retirement policy. These benefits are subject to a maximum of $18,750 per individual. No early retirement benefits were paid during the year ended June 30, 2004.

(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 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 $172,177, $167,797, $165,915, respectively, equal to the required contributions for each year.

(6) Risk Management

Griswold Community School District is a member in the Iowa School Employee Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employee 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 operation and provides 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. District contributions to ISEBA for the year ended June 30, 2004 were $3,947.

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 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 a period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

Griswold 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 $189,400 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 Restatements

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

Governmental Accounting Standards Board(GASB) 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, and Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; were implemented during 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 split the District's programs between business-type and governmental activities. The beginning net asset 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.

Beginning capital assets for governmental activities of $6,893,640 were restated to $4,995,108. The restatement primarily removed assets below the District's capitalizations threshold.

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

	Fund		
	General	Other Nonmajor Governmental Funds	Total
Net assets, June 30, 2003, as previously reported	$ 798,671	323,901	1,122,572
GASB Interpretation 6 adjustments	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	$ 798,671	323,901	1,122,572
GASB 34 adjustments:			
Capital assets, net of accumulated depreciation of $2,236,911			2,758,197
Long-term liabilities:			
Bonds		825,000	(825,000)
Accrued interest payable			(4,698)
Net assets, July 1, 2003, as restated			$ 3,051,071

REQUIRED SUPPLEMENTAL INFORMATION

GRISWOLD COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	$ 2,834,108	176,559
State sources	2,609,392	3,901
Federal sources	202,512	100,697
Total revenues	5,646,012	281,157
Ependitures:		
Instruction	3,265,385	0
Support services	1,404,821	0
Non-instructional programs	5,533	280,094
Other expenditures	615,026	0
Total expenditures	5,290,765	280,094
Excess(deficiency) of revenues over(under) expenitures	355,247	1,063
Other financing sources, net	362	0
Excess(deficiency) of revenues over(under) expenditures	355,609	1,063
Balance beginning of year	1,122,572	72,159
Balance end of year	$ 1,478,181	73,222

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance - Positive (Negative)
3,010,667	3,127,194	3,127,194	(116,527)
2,613,293	2,732,880	2,732,880	(119,587)
303,209	310,000	310,000	(6,791)
5,927,169	6,170,074	6,170,074	(242,905)
3,265,385	3,594,792	3,594,792	329,407
1,404,821	1,923,858	1,923,858	519,037
285,627	382,437	382,437	96,810
615,026	608,885	608,885	(6,141)
5,570,859	6,509,972	6,509,972	939,113
356,310	(339,898)	(339,898)	(696,208)
362	1,000	1,000	638
356,672	(338,898)	(338,898)	(695,570)
1,194,731	1,312,661	1,312,661	(117,930)
1,551,403	973,763	973,763	577,640

GRISWOLD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2004

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

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

During the year ended June 30, 2004, disbursements in the other expenditures function exceeded the amount budgeted.

OTHER SUPPLEMENTAL INFORMATION

Schedule 1

GRISWOLD COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	Special Revenue Funds						
	Management	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
ASSETS							
Cash and pooled investments	$ 116,790	87,036	53,365	257,191	68,376	105,921	431,488
Receivables:							
Property tax:							
Current year delinquent	2,095	0	1,138	3,233	6,500	0	9,733
Succeeding year	75,000	0	47,918	122,918	309,473	0	432,391
Accounts	0	110	0	110	0	0	110
Due from other governments	0	0	0	0	0	17,107	17,107
TOTAL ASSETS	$ 193,885	87,146	102,421	383,452	384,349	123,028	890,829
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable	$ 0	2,011	0	2,011	0	0	2,011
Deferred revenue:							
Succeeding year property tax	75,000	0	47,918	122,918	309,473	0	432,391
Total Liabilities	75,000	2,011	47,918	124,929	309,473	0	434,402
Fund equity:							
Fund balances:							
Reserved	0	0	0	0	74,876	123,028	197,904
Unreserved:							
Undesignated	118,885	85,135	54,503	258,523	0	0	258,523
Total fund balances	118,885	85,135	54,503	258,523	74,876	123,028	456,427
TOTAL LIABILITIES AND FUND EQUITY	$ 193,885	87,146	102,421	383,452	384,349	123,028	890,829

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 2

GRISWOLD COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	Special Revenue Funds						
	Management	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	$ 100,368	0	54,516	154,884	311,339	109,591	575,814
Other	1,853	179,574	65	181,492	675	196	182,363
State sources	70	0	38	108	217	0	325
TOTAL REVENUES	102,291	179,574	54,619	336,484	312,231	109,787	758,502
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	2,386	0	0	2,386	0	0	2,386
Other instruction	0	134,309	0	134,309	0	0	134,309
Support services:							
Administration services	15,966	0	0	15,966	0	0	15,966
Operation and maintenance of plant services	25,422	0	4,020	29,442	0	0	29,442
Student transportation	17,906	0	0	17,906	0	0	17,906
Non-instructional programs	341	0	0	341	0	0	341
Other expenditures:							
Facilities acquisitions	0	0	2,362	2,362	0	109,779	112,141
Long-term debt:							
Principal	0	0	0	0	285,000	0	285,000
Interest and fiscal charges	0	0	0	0	28,485	0	28,485
TOTAL EXPENDITURES	62,021	134,309	6,382	202,712	313,485	109,779	625,976
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	40,270	45,265	48,237	133,772	(1,254)	8	132,526
FUND BALANCE BEGINNING OF YEAR	78,615	39,870	6,266	124,751	76,130	123,020	323,901
FUND BALANCE END OF YEAR	$ 118,885	85,135	54,503	258,523	74,876	123,028	456,427

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 3

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

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Instrumental Music	1,873	2,326	2,872	1,327
Vocal Music	1,552	5,549	8,348	(1,247)
Athletics	5,877	71,115	68,362	8,630
Adult Ed	905	0	0	905
Annuals	13,557	4,432	6,380	11,609
Class of 2004	2,004	175	2,020	159
Class of 2005	3,637	542	1,752	2,427
Class of 2006	0	7,575	4,643	2,932
Class of 2007	0	0	23	(23)
Class of 2008	526	0	526	0
FFA	2,715	10,946	11,558	1,969
FHA	2,282	4,669	6,451	500
Health Services	936	100	376	660
MS Activity	(2)	150	0	148
General Activity	20	391	0	545
N.H.S.	821	10	218	613
Now Interest	20	168	0	188
Padlocks	421	0	0	421
S.E.S.	633	410	376	667
Spanish Club	144	0	0	144
Student Council	1,526	17,456	16,260	2,722
Washington Trip	423	53,400	3,873	49,950
Cheerleaders	0	160	271	(111)
Total	$ 39,870	179,574	134,309	85,135

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 4

GRISWOLD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	$ 2,420,097	2,111,205	2,162,872	1,940,253
Tuition	191,255	185,500	168,143	152,763
Other	222,756	347,846	322,487	331,146
State sources	2,609,392	2,586,888	2,583,988	2,584,592
Federal sources	202,512	225,760	186,186	197,574
Total	$ 5,646,012	5,457,199	5,423,676	5,206,328
Expenditures:				
Current:				
Instruction:				
Regular instruction	$ 2,116,005	1,960,410	1,901,602	1,963,093
Special instruction	681,874	600,365	566,146	596,979
Other instruction	467,506	562,339	475,392	548,969
Support services:				
Student services	56,634	153,757	143,418	142,599
Instructional staff services	164,908	158,856	183,810	203,588
Adminstration services	501,286	511,624	474,675	473,727
Operation and maintenance of plant services	420,855	511,688	485,189	527,741
Transportation services	256,263	293,953	256,655	336,084
Central services	4,875	14,269	9,810	14,684
Non-instructional programs	5,533	3,614	2,698	4,843
Other expenditures:				
Facilities acquisitions	112,141	23,216	67,756	5,303
Long-term debt:				
Principal	285,000	270,000	230,000	220,000
Interest and other charges	28,485	38,146	94,364	92,913
AEA flow-through	189,400	201,816	201,885	204,824
Total	$ 5,290,765	5,304,053	5,093,400	5,335,347

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

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

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

We have audited the financial statements of Griswold Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 13, 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 Griswold Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance 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 an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in 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.

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all

reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item I-A-04.

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

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

Nolte, Cornman & Johnson, P.C.

NOLTE, CORNMAN & JOHNSON, P.C.

October 13, 2004

GRISWOLD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

I-B-04 Overtime Pay – We noted during the audit that the District is currently paying overtime hours, which are properly approved. The District should consider the necessity of the overtime hours and possible alternatives to the overtime pay being made.

Recommendation – The District should review overtime pay to employees, taking into account the necessity of the hours as well as the cost of the hours. The overtime seems to be consistent, therefore resulting in overtime payments. The district might consider additional staff rather than paying overtime. The District could conduct time studies to indicate the work needed to be completed and then assignments made to personal with available time thereby reducing the overtime.

Response – We have hired an employee to work part-time in the office to cut back on the amount of overtime we pay.

Conclusion – Response accepted.

GRISWOLD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Statutory Reporting

II-A-04 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget - District disbursements for the year ended June 30, 2004 exceeded the certified budget amounts in the other expenditures functional area.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

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

II-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

Name, Title and Business Connection	Transaction Description	Amount
Dusty Carson, Coach Owner of Dusty's Place	Services	$ 1,608
Diane Keiser, Coach, Technology para, Owner of Hano's Printing	Supplies	$ 269

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the District's teachers do not appear to represent a conflict of interest.

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

II-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

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

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

II-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.