

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

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Guthrie Center Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2003 Election)</b>		
Dennis Meneffee	President	2003
Ed Langgard	Vice President	2003
Nancy Coffman	Board Member	2005
Mary Jane Venteicher	Board Member	2005
Keith Stetzel	Board Member	2004
<b>Board of Education (After September 2003 Election)</b>		
Ed Langgard	President	2006
Keith Stetzel	Vice President	2004
Nancy Coffman	Board Member	2005
Mary Jane Venteicher	Board Member	2005
Curt Sloss	Board Member	2006
<b>School Officials</b>		
Steve Smith	Superintendent	2004
Joni Rees	District Secretary/Treasurer and Business Manager	2004
Rick Engel	Attorney	2004

**NOLTE, CORNMAN & JOHNSON P.C.**  
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Guthrie Center 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 Guthrie Center 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 Guthrie Center 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, Guthrie Center 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 - State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 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 October 8, 2004 on our consideration of the Guthrie Center Community School District's internal control over

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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 34 through 37 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 Guthrie Center Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 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 PC*  
NOLTE, CORNMAN & JOHNSON, P.C.

October 8, 2004

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Guthrie Center 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 \$3,579,816 in fiscal 2003 to \$3,953,258 in fiscal 2004, while General Fund expenditures increased from \$3,662,233 in fiscal 2003 to \$3,874,776 in fiscal 2004. This resulted in an increase in the District's General Fund balance from a deficit \$74,766 in fiscal 2003 to a balance of 5,146 in fiscal 2004, a 106.88% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.
- A decline in interest rates during the past fiscal year, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone to decrease from \$6,490 in fiscal year 2003 to \$5,340 in fiscal year 2004.

### **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 Guthrie Center 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 Guthrie Center 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 Guthrie Center Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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.

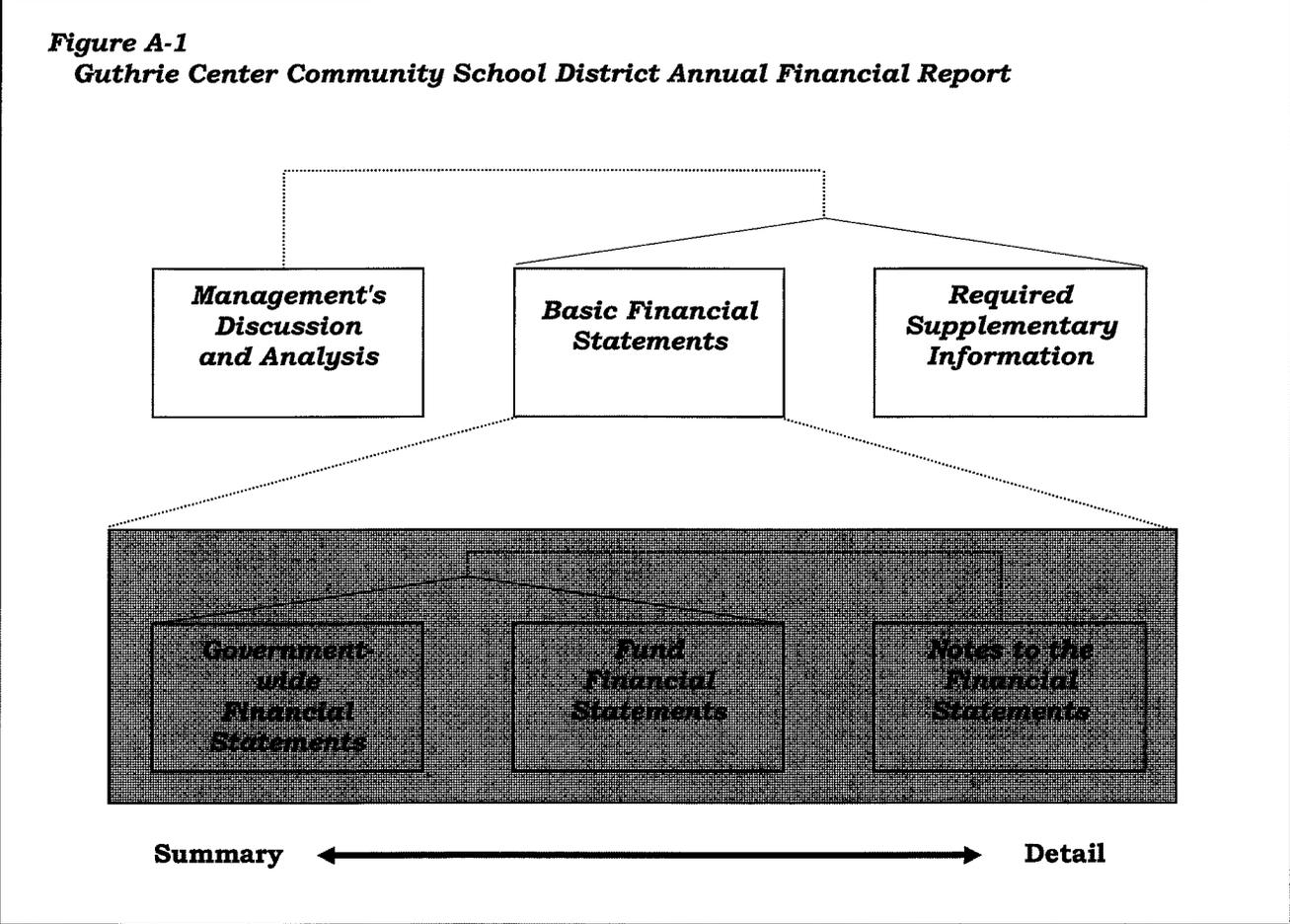


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-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	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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

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## 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 and Special Revenue Funds.

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	\$ 2,516,779	24,975	2,541,754
Capital assets	3,704,502	9,206	3,713,708
Total assets	<u>6,221,281</u>	<u>34,181</u>	<u>6,255,462</u>
Long-term obligations	840,271	0	840,271
Other liabilities	2,111,234	17,533	2,128,767
Total liabilities	<u>2,951,505</u>	<u>17,533</u>	<u>2,969,038</u>
Net assets:			
Invested in capital assets, net of related debt	2,957,642	9,206	2,966,848
Restricted	273,266	0	273,266
Unrestricted	38,868	7,442	46,310
Total net assets	<u>\$ 3,269,776</u>	<u>16,648</u>	<u>3,286,424</u>

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	\$ 605,346	92,583	697,929
Operating grants and contributions and restricted interest	612,814	106,797	719,611
Capital grants and contributions and restricted interest	25,000	0	25,000
General revenues:			
Property tax	1,673,830	0	1,673,830
Unrestricted state grants	1,610,833	0	1,610,833
Other	11,034	12	11,046
Total revenues	<u>4,538,857</u>	<u>199,392</u>	<u>4,738,249</u>
Program expenses:			
Governmental activities:			
Instructional	2,881,551	0	2,881,551
Support services	1,188,226	0	1,188,226
Non-instructional programs	0	197,702	197,702
Other expenditures	301,861	0	301,861
Total expenses	<u>4,371,638</u>	<u>197,702</u>	<u>4,569,340</u>
Changes in net assets	<u>\$ 167,219</u>	<u>1,690</u>	<u>168,909</u>

Property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$4,538,857 and expenses were \$4,371,638.

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	\$ 2,881,551	1,798,541
Support services	1,188,226	1,188,226
Other expenditures	301,861	141,711
Totals	<u>\$ 4,371,638</u>	<u>3,128,478</u>

- The cost financed by users of the District's programs was \$605,346.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$637,814.

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- The net cost of governmental activities was financed with \$1,673,830 in property tax, \$1,610,833 in state foundation aid, \$9,604 in interest income and \$1,430 as a gain on sale of capital assets.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$199,392 and expenses were \$197,702. 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 Guthrie Center 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 \$326,489, above last year's ending fund balances of a \$137,263. However, the primary reason for the increase in combined fund balances in fiscal 2004 is due to increased tax revenues provided by an Income Surtax levy and Voted-PPEL levy.

### **Governmental Fund Highlights**

- The District's improving General Fund financial position from a deficit \$74,766 to \$5,146 is the product of many factors:
  - Increase in state and federal grants and increase in tax levy during the year resulted in an increase in revenues.
  - The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.
  - The increase in expenditures was less than the increase in revenues resulting in a net increase of \$79,912.
- The Physical Plant and Equipment Levy Fund balance increased from \$38,929 in fiscal 2003 to \$171,319 in fiscal 2004. This is due to increased tax revenues.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$14,958 at June 30, 2003 to \$16,648 at June 30, 2004, representing an increase of 11.30%.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Guthrie Center Community School District amended its annual budget one time to reflect additional expenditures associated with the other expenditures.

The District's revenues were \$321,170 more than budgeted revenues, a variance of 7.33%. 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.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2004, the District had invested \$3,713,708, 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) More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$175,989.

The original cost of the District's capital assets was \$6.2 million. Governmental funds account for \$3.15 million with the remainder of \$0.05 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$97,777 at June 30, 2004, compared to \$139,979 reported at June 30, 2003. This decrease resulted from current depreciation expense and deletion of capital assets.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Land	\$ 49,800	0	49,800
Construction in progress	48,423	0	48,423
Buildings	3,317,468	0	3,317,468
Land improvements	191,034	0	191,034
Machinery and equipment	97,777	9,206	106,983
Total	\$ 3,704,502	9,206	3,713,708

### **Long-Term Debt**

At June 30, 2004, the District had \$840,271 in general obligation and other long-term debt outstanding. This represents a decrease of 5.3% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$780,000 at June 30, 2004.

The District had total outstanding Early Retirement payable from the Special Revenue – Management Fund of \$60,271 at June 30, 2004.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
General Obligation Bonds	\$ 780,000	850,000	-8.2%
Early Retirement	60,271	37,363	61.3%
	<u>\$ 840,271</u>	<u>887,363</u>	<u>-5.3%</u>

### **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:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The voters of Audubon County passed by 83.3% the Local Option Sales and Services Tax for School Infrastructure (SILO). This 1 cent tax on sales and services will greatly benefit the District in maintaining their buildings, purchasing equipment and debt repayment. The funding will begin in September 2004.

### **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 Joni Rees, Board Secretary, Guthrie Center Community School District, 906 School Street, Guthrie Center, Iowa, 50115.

BASIC FINANCIAL STATEMENTS

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 568,406	21,232	589,638
Receivables:			
Property tax:			
Delinquent	26,795	0	26,795
Succeeding year	1,698,128	0	1,698,128
Income surtax	84,817	0	84,817
Due from other governments	138,633	0	138,633
Inventories	0	3,743	3,743
Capital assets, net of accumulated depreciation(Note 3)	3,704,502	9,206	3,713,708
<b>TOTAL ASSETS</b>	<b>6,221,281</b>	<b>34,181</b>	<b>6,255,462</b>
<b>LIABILITIES</b>			
Accounts payable	30,149	42	30,191
Salaries and benefits payable	377,196	12,344	389,540
Interest payable	5,761	0	5,761
Deferred revenue:			
Succeeding year property tax	1,698,128	0	1,698,128
Other	0	5,147	5,147
Long-term liabilities(Note 4):			
Portion due within one year:			
General obligation bonds payable	75,000	0	75,000
Early retirement payable	60,271	0	60,271
Portion due after one year:			
General obligation bonds payable	705,000	0	705,000
<b>TOTAL LIABILITIES</b>	<b>2,951,505</b>	<b>17,533</b>	<b>2,969,038</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	2,957,642	9,206	2,966,848
Restricted for:			
Teacher compensation	3,238	0	3,238
Early intervention	47,857	0	47,857
Physical plant and equipment levy	171,319	0	171,319
Management levy	12,322	0	12,322
Other special revenue purposes	38,530	0	38,530
Unrestricted	38,868	7,442	46,310
<b>TOTAL NET ASSETS</b>	<b>\$ 3,269,776</b>	<b>16,648</b>	<b>3,286,424</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,789,182	224,255	459,052	0
Special instruction	593,548	46,487	18,612	0
Other instruction	498,821	334,604	0	0
	<u>2,881,551</u>	<u>605,346</u>	<u>477,664</u>	<u>0</u>
Support services:				
Student services	108,849	0	0	0
Instructional staff services	101,570	0	0	0
Administration services	478,902	0	0	0
Operation and maintenance of plant services	378,761	0	0	0
Transportation services	120,144	0	0	0
	<u>1,188,226</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other expenditures:				
Facilities acquisitions	0	0	0	25,000
Long-term debt interest and fiscal charges	37,200	0	0	0
AEA flowthrough	135,150	0	135,150	0
Depreciation(unallocated)*	129,511	0	0	0
	<u>301,861</u>	<u>0</u>	<u>135,150</u>	<u>25,000</u>
Total governmental activities	4,371,638	605,346	612,814	25,000
Business-Type activities:				
Non-instructional programs:				
Nutrition services	197,702	92,583	106,797	0
Total business-type activities	<u>197,702</u>	<u>92,583</u>	<u>106,797</u>	<u>0</u>
Total	<u>\$ 4,569,340</u>	<u>697,929</u>	<u>719,611</u>	<u>25,000</u>

**General Revenues:**

Local tax for:  
  General purposes  
  Capital outlay  
  Debt service  
Unrestricted state grants  
Unrestricted investment earnings  
Gain on sale of capital assets

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
(1,105,875)	0	(1,105,875)
(528,449)	0	(528,449)
(164,217)	0	(164,217)
<u>(1,798,541)</u>	<u>0</u>	<u>(1,798,541)</u>
(108,849)	0	(108,849)
(101,570)	0	(101,570)
(478,902)	0	(478,902)
(378,761)	0	(378,761)
(120,144)	0	(120,144)
<u>(1,188,226)</u>	<u>0</u>	<u>(1,188,226)</u>
25,000	0	25,000
(37,200)	0	(37,200)
0	0	0
(129,511)	0	(129,511)
<u>(141,711)</u>	<u>0</u>	<u>(141,711)</u>
(3,128,478)	0	(3,128,478)
0	1,678	1,678
0	1,678	1,678
<u>(3,128,478)</u>	<u>1,678</u>	<u>(3,126,800)</u>
\$ 1,361,113	0	1,361,113
206,054	0	206,054
106,663	0	106,663
1,610,833	0	1,610,833
9,604	12	9,616
1,430	0	1,430
<u>3,295,697</u>	<u>12</u>	<u>3,295,709</u>
167,219	1,690	168,909
<u>3,102,557</u>	<u>14,958</u>	<u>3,117,515</u>
<u>\$ 3,269,776</u>	<u>16,648</u>	<u>3,286,424</u>

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	General	Physical Plant and Equipment Levy	Other Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 252,407	167,887	148,112	568,406
Receivables:				
Property tax				
Delinquent	20,799	3,432	2,564	26,795
Succeeding year	1,315,498	182,762	199,868	1,698,128
Income surtax	84,817	0	0	84,817
Due from other governments	138,633	0	0	138,633
<b>TOTAL ASSETS</b>	<b>\$ 1,812,154</b>	<b>354,081</b>	<b>350,544</b>	<b>2,516,779</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 29,497	0	652	30,149
Salaries and benefits payable	377,196	0	0	377,196
Deferred revenue:				
Succeeding year property tax	1,315,498	182,762	199,868	1,698,128
Income surtax	84,817	0	0	84,817
Total liabilities	1,807,008	182,762	200,520	2,190,290
Fund balances:				
Reserved for:				
Debt service	0	0	38,901	38,901
Teacher compensation	3,238	0	0	3,238
Early intervention	47,857	0	0	47,857
Unreserved:				
Undesignated:				
General	(45,949)	0	0	(45,949)
Physical plant and equipment levy	0	171,319	0	171,319
Management levy	0	0	72,593	72,593
Other special revenue purposes	0	0	38,530	38,530
Total fund balances	5,146	171,319	150,024	326,489
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,812,154</b>	<b>354,081</b>	<b>350,544</b>	<b>2,516,779</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds (page 16)</b>	\$	326,489
 <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 report as assets in in the governmental funds.		3,704,502
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		84,817
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.		(5,761)
Long-term liabilities, including general obligation bonds and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(840,271)</u>
<b>Net assets of governmental activites (page 13)</b>	<b>\$</b>	<b><u><u>3,269,776</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Physical Plant and Equipment Levy	Other Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,316,501	206,054	151,275	1,673,830
Tuition	270,742	0	0	270,742
Other	143,389	1,321	199,498	344,208
State sources	1,917,311	156	115	1,917,582
Federal sources	305,315	25,750	0	331,065
Total revenues	<u>3,953,258</u>	<u>233,281</u>	<u>350,888</u>	<u>4,537,427</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	1,718,898	0	60,502	1,779,400
Special instruction	593,548	0	0	593,548
Other instruction	312,481	0	188,464	500,945
	<u>2,624,927</u>	<u>0</u>	<u>248,966</u>	<u>2,873,893</u>
Support services:				
Student services	108,849	0	0	108,849
Instructional staff services	101,570	0	0	101,570
Administration services	437,630	0	100	437,730
Operation and maintenance of plant services	362,443	0	11,865	374,308
Transportation services	104,207	0	5,366	109,573
	<u>1,114,699</u>	<u>0</u>	<u>17,331</u>	<u>1,132,030</u>
Other expenditures:				
Facilities acquisitions	0	100,891	0	100,891
Long-term debt:				
Principal	0	0	70,000	70,000
Interest and fiscal charges	0	0	37,667	37,667
AEA flowthrough	135,150	0	0	135,150
	<u>135,150</u>	<u>100,891</u>	<u>107,667</u>	<u>343,708</u>
Total expenditures	<u>3,874,776</u>	<u>100,891</u>	<u>373,964</u>	<u>4,349,631</u>
Excess (deficiency) of revenues over (under) expenditures	78,482	132,390	(23,076)	187,796
<b>OTHER FINANCING SOURCES:</b>				
Sale of equipment	1,430	0	0	1,430
Net change in fund balances	79,912	132,390	(23,076)	189,226
Fund balance beginning of year	(74,766)	38,929	173,100	137,263
Fund balance end of year	<u>\$ 5,146</u>	<u>171,319</u>	<u>150,024</u>	<u>326,489</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER 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

<b>Net change in fund balances - total governmental funds (page 18)</b>		\$ 189,226
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year are as follows:		
Expenditures for capital assets	\$ 103,706	
Depreciation expense	<u>(173,272)</u>	(69,566)
 Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		
		70,000
 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.		
		467
 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.		
Compensated absences		<u>(22,908)</u>
 <b>Changes in net assets of governmental activities (page 15)</b>		 <u><u>\$ 167,219</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2004

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 21,232
Inventories	3,743
Capital assets, net of accumulated depreciation(Note 3)	9,206
TOTAL ASSETS	<u>34,181</u>
LIABILITIES	
Accounts payable	42
Salaries and benefits payable	12,344
Deferred revenues:	
Other	5,147
TOTAL LIABILITIES	<u>17,533</u>
NET ASSETS	
Investment in capital assets, net of related debt	9,206
Unrestricted	7,442
TOTAL NET ASSETS	<u>\$ 16,648</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 92,583
TOTAL OPERATING REVENUES	92,583
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	70,220
Benefits	12,409
Services	4,224
Supplies	108,132
Depreciation	2,717
TOTAL OPERATING EXPENSES	197,702
OPERATING LOSS	(105,119)
NON-OPERATING REVENUES:	
State sources	3,357
Federal sources	103,440
Interest income	12
TOTAL NON-OPERATING REVENUES	106,809
Change in net assets	1,690
Net assets beginning of year	14,958
Net assets end of year	\$ 16,648

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER 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	\$ 95,672
Cash received from miscellaneous sources	144
Cash payments to employees for services	(81,331)
Cash payments to suppliers for goods or services	(99,163)
Net cash used in operating activities	(84,678)
Cash flows from non-capital financing activities:	
State grants received	3,357
Federal grants received	90,067
Net cash provided by non-capital financing activities	93,424
Cash flows from capital and related financing activities:	
Purchase of capital assets	(1,530)
Net cash used in capital and related financing activities	(1,530)
Cash flows from investing activities:	
Interest on investments	12
Net cash provided by investing activities	12
Net increase in cash and cash equivalents	7,228
Cash and cash equivalents at beginning of year	14,004
Cash and cash equivalents at end of year	\$ 21,232
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (105,119)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	13,373
Depreciation	2,717
Increase in inventories	(222)
Increase in accounts payable	42
Increase in salaries and benefits payable	1,298
Increase in deferred revenue	3,233
Net cash used in operating activities	\$ (84,678)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 21,232
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	

During the year ended June 30, 2004, the District received Federal commodities valued at \$13,373.

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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

The Guthrie Center Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Guthrie Center, Iowa, and the predominate agricultural territory in Guthrie and Audubon 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, Guthrie Center 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 Guthrie Center 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 Guthrie and Audubon Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Physical Plant and Equipment Levy Fund is utilized to account for equipment purchases as well as capital improvements.

The District reports the following major proprietary funds:

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

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

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

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, machinery, 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	\$ 0
Buildings	10,000
Land improvements	10,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	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 obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund 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.

**(2) Cash and Pooled Investments**

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

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

The District had no investments at June 30, 2004.

**(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	\$ 49,800	0	0	49,800
Construction in progress	79,157	1,256	31,990	48,423
Total capital assets not being depreciated	<u>128,957</u>	<u>1,256</u>	<u>31,990</u>	<u>98,223</u>
Capital assets being depreciated:				
Buildings	5,119,374	102,881	0	5,222,255
Land improvements	297,301	30,000	0	327,301
Machinery and equipment	521,120	1,559	32,868	489,811
Total capital assets being depreciated	<u>5,937,795</u>	<u>134,440</u>	<u>32,868</u>	<u>6,039,367</u>
Less accumulated depreciation for:				
Buildings	1,791,641	113,146	0	1,904,787
Land improvements	119,902	16,365	0	136,267
Machinery and equipment	381,141	43,761	32,868	392,034
Total accumulated depreciation	<u>2,292,684</u>	<u>173,272</u>	<u>32,868</u>	<u>2,433,088</u>
Total capital assets being depreciated, net	<u>3,645,111</u>	<u>(38,832)</u>	<u>0</u>	<u>3,606,279</u>
Governmental activities capital assets, net	<u>\$ 3,774,068</u>	<u>(37,576)</u>	<u>31,990</u>	<u>3,704,502</u>
Business-type activities:				
Machinery and equipment	\$ 52,502	1,530	2,789	51,243
Less accumulated depreciation	42,109	2,717	2,789	42,037
Business-type activities capital assets, net	<u>\$ 10,393</u>	<u>(1,187)</u>	<u>0</u>	<u>9,206</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 28,046
Other		691
Support services:		
Operation and maintenance of plant		4,453
Transportation		10,571
		<u>43,761</u>
Unallocated depreciation		129,511
Total governmental activities depreciation expense		<u>\$ 173,272</u>
Business-type activities:		
Food services		\$ 2,717
Total business-type activities depreciation expense		<u>\$ 2,717</u>

**(4) Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 850,000	0	70,000	780,000	75,000
Early Retirement	37,363	60,271	37,363	60,271	60,271
	<u>\$ 887,363</u>	<u>60,271</u>	<u>107,363</u>	<u>840,271</u>	<u>135,271</u>

General Obligation Bonds Payable

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

Year Ending June 30,	Interest Rates	Bond issue of July 1, 2001		
		Principal	Interest	Total
2005	4.05 %	\$ 75,000	34,568	109,568
2006	4.10	80,000	31,530	111,530
2007	4.20	75,000	28,250	103,250
2008	4.30	80,000	25,100	105,100
2009	4.40	85,000	21,660	106,660
2010	4.50	90,000	17,920	107,920
2011	4.60	95,000	13,870	108,870
2012	4.70	100,000	9,500	109,500
2013	4.80	100,000	4,800	104,800
Total		<u>\$ 780,000</u>	<u>187,198</u>	<u>967,198</u>

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 ten 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 50% of the employee's base salary calculated by using the current year regular salary schedule. Early retirement benefits paid during the year ended June 30, 2004, totaled \$37,363. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

**(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 covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$140,551, \$130,612 and \$124,611 respectively, equal to the required contributions for each year.

**(6) Risk Management**

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

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

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$172,033.

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.

Guthrie Center 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 \$135,150 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 \$6,437,491 were restated to \$6,066,752. The restatement primarily removed assets that were less than the capitalization threshold.

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

	Fund			Total
	General	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds	
Net assets, June 30, 2003, as previously reported	\$ (74,766)	38,929	173,100	137,263
GASB Interpretation 6 adjustments	0	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	\$ (74,766)	38,929	173,100	137,263
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of \$2,292,684				3,774,068
Income surtax				84,817
Long-term liabilities:				
General obligation bonds payable			\$ 850,000	
Early retirement payable			37,363	(887,363)
Interest payable				(6,228)
Net assets, July 1, 2003, as restated				\$ 3,102,557

**(9) Deficit Fund Balance**

The General Fund had a deficit undesignated fund balance of \$45,949 at June 30, 2004.

REQUIRED SUPPLEMENTAL INFORMATION

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 2,278,361	95,828
State sources	1,917,943	3,357
Federal sources	305,787	103,440
Total receipts	<u>4,502,091</u>	<u>202,625</u>
Disbursements:		
Instruction	2,875,049	0
Support services	1,138,535	0
Non-instructional programs	0	195,397
Other expenditures	348,848	0
Total disbursements	<u>4,362,432</u>	<u>195,397</u>
Excess(deficiency) of receipts over(under) disbursements	139,659	7,228
Other financing sources, net	<u>1,430</u>	0
Excess(deficiency) of receipts and other financing sources over(under) disbursements	141,089	7,228
Balance beginning of year	<u>427,317</u>	<u>14,004</u>
Balance end of year	<u>\$ 568,406</u>	<u>21,232</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,374,189	2,312,801	2,312,801	61,388
1,921,300	1,804,208	1,804,208	117,092
409,227	266,537	266,537	142,690
<u>4,704,716</u>	<u>4,383,546</u>	<u>4,383,546</u>	<u>321,170</u>
2,875,049	2,884,317	2,884,317	9,268
1,138,535	1,311,028	1,311,028	172,493
195,397	213,673	213,673	18,276
348,848	252,529	400,000	51,152
<u>4,557,829</u>	<u>4,661,547</u>	<u>4,809,018</u>	<u>251,189</u>
146,887	(278,001)	(425,472)	572,359
<u>1,430</u>	<u>0</u>	<u>0</u>	<u>1,430</u>
148,317	(278,001)	(425,472)	573,789
<u>441,321</u>	<u>610,159</u>	<u>610,159</u>	<u>(168,838)</u>
<u>589,638</u>	<u>332,158</u>	<u>184,687</u>	<u>404,951</u>

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types		
	Cash Basis	Accrual	
		Adjust- ments	Accrual Basis
Revenues	\$ 4,502,091	35,336	4,537,427
Expenses	4,362,432	(12,801)	4,349,631
Net	139,659	48,137	187,796
Other financing sources	1,430	0	1,430
Beginning fund balances	427,317	(290,054)	137,263
Ending fund balances	\$ 568,406	(241,917)	326,489

	Proprietary Fund Type		
	Cash Basis	Enterprise Accrual	
		Adjust- ments	Accrual Basis
Revenues	\$ 202,625	(3,233)	199,392
Expenses	195,397	2,305	197,702
Net	7,228	(5,538)	1,690
Beginning net assets	14,004	954	14,958
Ending net assets	\$ 21,232	(4,584)	16,648

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GUTHRIE CENTER 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, the District adopted one budget amendment increasing budgeted disbursements by \$147,471.

OTHER SUPPLEMENTAL INFORMATION

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

	Special Revenue Funds				Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Total Special Revenue Funds	Debt Service	
<b>ASSETS</b>					
Cash and pooled investments	\$ 71,805	39,182	110,987	37,125	148,112
Receivables:					
Property tax:					
Delinquent	788	0	788	1,776	2,564
Succeeding year property tax	90,000	0	90,000	109,868	199,868
<b>TOTAL ASSETS</b>	<b>\$ 162,593</b>	<b>39,182</b>	<b>201,775</b>	<b>148,769</b>	<b>350,544</b>
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities:					
Accounts payable	\$ 0	652	652	0	652
Deferred revenue:					
Succeeding year property tax	90,000	0	90,000	109,868	199,868
	90,000	652	90,652	109,868	200,520
Fund equity:					
Fund balances:					
Reserved for debt service	0	0	0	38,901	38,901
Unreserved, undesignated	72,593	38,530	111,123	0	111,123
	72,593	38,530	111,123	38,901	150,024
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 72,593</b>	<b>39,182</b>	<b>111,775</b>	<b>38,901</b>	<b>150,676</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds			Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Total Special Revenue Funds		
REVENUES:					
Local sources:					
Local tax	\$ 44,612	0	44,612	106,663	151,275
Other	878	196,922	197,800	1,698	199,498
State sources	34	0	34	81	115
TOTAL REVENUES	45,524	196,922	242,446	108,442	350,888
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	60,502	0	60,502	0	60,502
Other instruction	0	188,464	188,464	0	188,464
Support services:					
Administration services	100	0	100	0	100
Operation and maintenance of plant services	11,865	0	11,865	0	11,865
Transportation services	5,366	0	5,366	0	5,366
Other expenditures:					
Long-term debt:					
Principal	0	0	0	70,000	70,000
Interest and fiscal charges	0	0	0	37,667	37,667
TOTAL EXPENDITURES	77,833	188,464	266,297	107,667	373,964
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(32,309)	8,458	(23,851)	775	(23,076)
FUND BALANCE BEGINNING OF YEAR	104,902	30,072	134,974	38,126	173,100
FUND BALANCE END OF YEAR	\$ 72,593	38,530	111,123	38,901	150,024

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 2,185	692	1	2,876
Odyssey of Mind	2,678	200	200	2,678
Drama	1,581	2,804	2,462	1,923
Vocal Club	10,575	3,487	2,305	11,757
Band Club	(3,088)	2,387	2,778	(3,479)
Basketball	3,140	10,552	7,887	5,805
Football	8,608	11,333	11,959	7,982
Baseball/Softball	(9,607)	1,609	6,887	(14,885)
Track	(4,148)	3,491	4,341	(4,998)
Wrestling	(9,249)	13,163	12,704	(8,790)
Volleyball	(5,512)	3,885	4,099	(5,726)
Summer Little League	3,318	7,910	7,272	3,956
FFA	3,961	19,829	19,680	4,110
FCCLA	151	2,818	3,026	(57)
Honor Society	1,020	449	121	1,348
Student Council	2,184	13,575	13,523	2,236
Foreign Language	536	0	0	536
Art Club	542	150	38	654
Yearbook	(5,436)	16,318	16,083	(5,201)
Cheerleaders	518	9,562	9,819	261
Change Fund	(840)	0	0	(840)
General Fund	4,010	6,997	7,358	3,649
Student Activities	5,298	6,558	5,058	6,798
Weightlifting	218	0	0	218
JH Student Council	2,707	9,757	9,380	3,084
Extra Curricular	642	7,123	6,021	1,744
Elementary Fund	12,450	27,039	23,829	15,660
Class of 2003	(1,312)	1,500	0	188
Class of 2004	2,354	6,745	8,734	365
Class of 2005	393	6,491	2,886	3,998
Class of 2006	195	208	0	403
Class of 2007	0	290	13	277
Total	<u>\$ 30,072</u>	<u>196,922</u>	<u>188,464</u>	<u>38,530</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GUTHRIE CENTER 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
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 1,673,830	1,491,203	1,401,151	1,469,644
Tuition	270,742	257,047	300,771	342,699
Other	344,208	218,073	208,611	212,087
Intermediate sources	0	300	2,685	3,332
State sources	1,917,582	1,778,243	1,724,550	1,758,425
Federal sources	331,065	204,056	96,543	64,203
<b>Total</b>	<b>\$ 4,537,427</b>	<b>3,948,922</b>	<b>3,734,311</b>	<b>3,850,390</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	\$ 1,779,400	1,655,602	1,510,812	1,460,936
Special instruction	593,548	548,696	473,044	507,103
Other instruction	500,945	486,875	448,700	472,995
Support services:				
Student services	108,849	70,531	74,380	71,173
Instructional staff services	101,570	101,752	82,608	93,376
Administration services	437,730	436,301	431,406	432,110
Operation and maintenance of plant services	374,308	366,086	428,083	422,104
Transportation services	109,573	106,067	103,717	103,930
Other expenditures:				
Facilities acquisitions	100,891	12,140	36,165	0
Long-term debt:				
Principal	70,000	70,000	65,000	60,000
Interest and fiscal charges	37,667	40,397	53,340	55,677
AEA flow-through	135,150	137,379	138,070	143,682
<b>Total</b>	<b>\$ 4,349,631</b>	<b>4,031,826</b>	<b>3,845,325</b>	<b>3,823,086</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Board of Education of the  
Guthrie Center Community School District:

We have audited the financial statements of Guthrie Center Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 8, 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 Guthrie Center 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, 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 except for item II-K-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Guthrie Center 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

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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 and I-B-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Guthrie Center Community School District and other parties to whom Guthrie Center 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 Guthrie Center 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*  
NOLTE, CORNMAN & JOHNSON, P.C.

October 8, 2004

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

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-04 Student Activity Fund - We noted during our audit that the Student Activity fund included an interest account.

Recommendation - The interest that is earned each year should be allocated at least on an annual basis to the individual activity accounts.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

GUTHRIE CENTER 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, did not exceed the amount budgeted.
- 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 and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Joni Rees, Board Secretary Spouse owns Rees Repair	Repairs	\$251

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the spouse of Joni Rees 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.
- II-K-04 Financial Condition - The District had a deficit undesignated fund balance of \$45,949 in the General Fund. The District also had several deficit account balances in the Special Revenue, Student Activity Fund.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - We will monitor these funds and investigate any available options to eliminate these deficits.

Conclusion - Response accepted.