

GEORGE - LITTLE ROCK COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005

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GEORGE - LITTLE ROCK COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Board of Education Elected in 2005		
Warren Tiedeman	President	2005
Roger Jurrens	Vice President	2006
Kory Hayenga	Board Member	2005
Amy Jurrens	Board Member	2007
Donnell Nagle	Board Member	2007
School Officials		
Joanne Smith	Superintendent	Indefinite
Delinda Kruger	District Secretary/Treasurer and Business Manager	Indefinite
Thomas Whorley	Attorney	Indefinite

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

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Certified Public Accountants
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ROCK RAPIDS, IOWA 51246

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of George - Little Rock Community School District, George and Little Rock, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of George - Little Rock Community School District at June 30, 2005, and the respective changes in financial positions and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Governmental Auditing Standards, we have also issued our reports dated October 26, 2005 on our consideration of the George - Little Rock Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to

provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 15 and 38 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise George - Little Rock Community School District's basic financial statements. We previously audited, the District and the individual Districts that merged in the prior year, in accordance with the standards referred to in the second paragraph of this report, the general-purpose financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other 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 financial statements taken as a whole.

Wells Heard Halse & Co.

October 26, 2005

Management's Discussion and Analysis

George - Little Rock Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 Financial Highlights

- The General Fund revenues were \$3,511,981 in fiscal year 2004 and increased to \$3,836,334 in fiscal year 2005, while General Fund expenditures increased from \$3,765,456 in fiscal year 2004 to \$3,974,351 in fiscal 2005. The District's General Fund balance decreased from \$488,541 in fiscal 2004 to \$350,524 in fiscal 2005, a 28.25% decrease.
- The increase in General Fund revenues was attributable to an increase in state revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in salaries.
- Low interest rates and a reduction in investments resulted in interest earnings in the General Fund alone to decrease from \$ 14,288 in fiscal year 2004 to \$10,809 in fiscal year 2005.
- The local option sales and services tax (SILO) became effective January 1, 2005. Revenues collected were \$50,335 in 2004 and \$194,371 in 2005 which were used for Architect Fees for the new additions to the schools.

Using this Annual Report

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

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

activities for which George - Little Rock Community School District acts solely as an agent or custodian for the benefit of those outside of the 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 Special Revenue Funds.

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

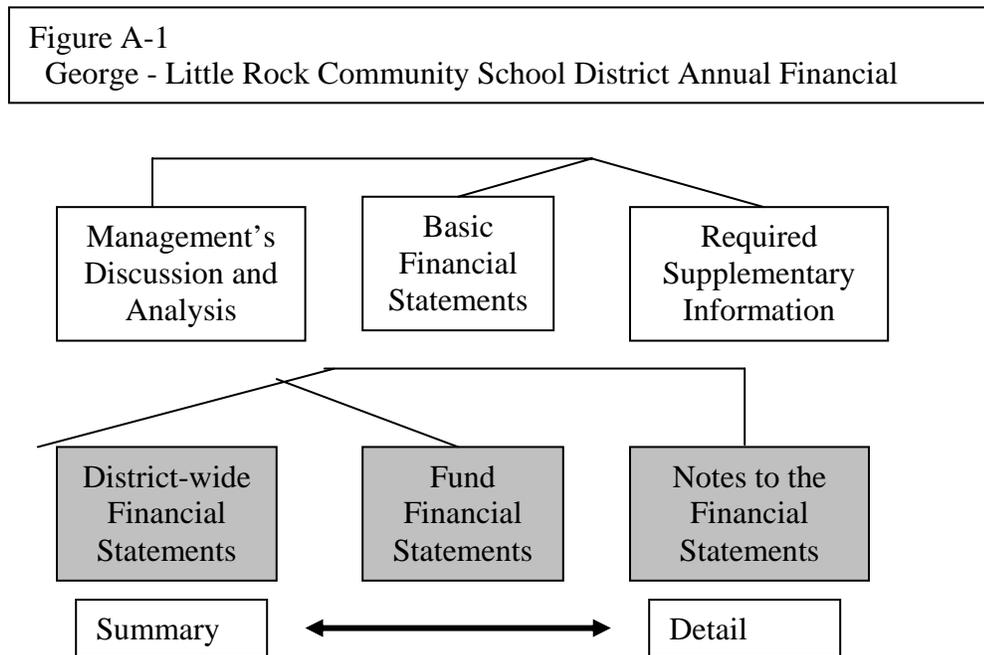


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities covered and the types of information contained.

Figure A-2: Major Features of the District Wide and Fund Financial Statements			
	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenditures, and changes in fund net assets • Statement of cash flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to repay its long-term debts, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

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

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

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

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

Government-wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

	Governmental Activities		Business type Activities		Total Activities		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Current and other assets	\$ 2,751	\$ 2,604	\$ 25	\$ 32	\$ 2,776	\$ 2,636	5.3%
Capital assets	1,149	3,680	8	14	1,157	3,694	(68.68%)
Total assets	3,900	6,284	33	46	3,933	6,330	(37.87%)
Long-term Liabilities	-	18	-	-	-	18	(100.00%)
Other Liabilities	2,237	1,889	12	9	2,249	1,898	18.5%
Total Liabilities	2,237	1,907	12	9	2,249	1,916	17.4%
Net Assets							
Invested in capital assets, net of related debt	1,149	3,662	8	14	1,157	3,676	(68.53%)
Restricted	166	274	-	-	166	274	(39.42%)
Unrestricted	347	442	13	23	360	465	(22.58%)
Total net assets	\$ 1,662	\$ 4,378	\$ 21	\$ 37	\$ 1,683	\$ 4,415	(61.88%)

The District's combined net assets decreased by over 61 percent or approximately \$2,732,000 over the prior year. The largest portion was due to the inventory of assets taken during the last year and valued lower than what was used in 2004. The largest portion of the District's net assets is the invested in capital assets less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$108,000 or 39% over the prior year. The decrease was primarily a result of the capital projects started during the year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or the legal requirements – decreased approximately \$105,000 or 22.6 percent. This decrease in unrestricted net assets was a result of reduction of income the past year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4 Changes in Net Assets (Expressed in Thousands)			
	Governmental Activities	Business-type Activities	Total School District
Revenue			
Program revenue:			
Charges for service	\$ 304	\$ 104	\$ 408
Operating grants, contributions and restricted interest	599	86	685
Capital grants, contributions and restricted interest	45	-	45
General revenues:			
Property tax	1,649	-	1,649
Local option sales and service tax	194	-	194
Unrestricted state grants	1,821	-	1,821
Other	31	-	31
Total revenues	4,643	190	4,833
Program expenses:			
Governmental activities:			
Instruction	2,956	-	2,956
Support service	1,239	-	1,239
Non-instructional programs	1	204	205
Other expenses	165	-	165
Total expenses	4,361	204	4,565
Change in net assets	\$ 282	\$ (14)	\$ 268

Property tax, local option sales and service tax, and unrestricted state grants account for 75.8 percent of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91.9 percent of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,643,000 and expenses were \$4,361,000. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)		
	Total Cost of Services	Net Cost of Services
Instruction	\$ 2,956	\$ 2,246
Support services	1,239	1,195
Non-instructional programs	1	1
Other expenses	165	(28)
Totals	<u>\$ 4,361</u>	<u>\$ 3,414</u>

- The cost financed by users of the District's programs was \$303,911.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$598,717.
- The net cost of governmental activities was financed with \$1,843,802 in property and other taxes and \$1,821,256 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$189,755 and expenses were \$203,671. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$513,680, well below last year's ending fund balances of \$715,826. The primary reason for the decrease in combined fund balances in fiscal 2005 is due to salaries and the capital projects started during the past year.

Governmental Fund Highlights

- The District's declining General Fund financial position is the result of many factors. The biggest factor being that increases in State Funding are not keeping up with inflation.

- The General Fund balance decreased from \$488,541 to \$350,524, due in part to the increases in expenditures in the last year.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$101,302 in fiscal 2004 to \$50,853 in fiscal 2005. While revenues remained approximately the same, the District substantially reduced spending from the PPEL Fund in order to improve the financial condition of the fund.
- The Public Education Recreation Levy (PERL) Fund balance decreased from \$20,886 in fiscal 2004 to \$19,292. Revenues decreased while the expenses remained about the same.
- The Capital Projects Fund balance decreased due to the funds being used for Construction costs regarding the additions to the school buildings. The District ended fiscal 2004 with a \$50,335 balance and ended fiscal 2005 ended with a balance of \$37,034.

Proprietary Fund Highlights

School Nutrition Fund cash balance decreased from \$21,378 at June 30, 2004 to \$19,144 at June 30, 2005, representing a decrease of \$2,234.

BUDGETARY HIGHLIGHTS

The District's receipts were \$213,672 more than budgeted receipts, with a variance of 4.7%. The most significant variance resulted from the District receiving several federal grants for the various programs that were not planned on.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$1.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 68% from last year. The District paid for a complete inventory of the physical assets and adjusted its records to reflect the calculated

value of the assets per inventory. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$101,045.

The original cost of the District's capital assets was \$3.2 million. Governmental funds account for \$3.1 million, with the remainder of \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

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

Figure A-6 Capital Assets, net of Depreciation (expressed in thousands)							
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Land	\$ 39	\$ 53	\$ -	\$ -	\$ 39	\$ 53	(26.42%)
Construction in progress	233	-	-	-	233	-	233.00%
Buildings	529	3,070	-	-	529	3,070	(82.77%)
Improvements other than buildings	101	45	-	-	101	45	124.44%
Furniture and Equipment	247	512	8	14	255	526	(51.52%)
Totals	<u>\$ 1,149</u>	<u>\$ 3,680</u>	<u>\$ 8</u>	<u>\$ 14</u>	<u>\$ 1,157</u>	<u>\$ 3,694</u>	<u>(68.68%)</u>

Long-Term Debt

At June 30, 2005, the District had \$0 in other long-term debt outstanding. This represents a decrease of approximately 100% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7 Outstanding Long-Term Obligations (Expressed in Thousands)			
	Total School District		Total Change
	June 30,		June 30,
	2005	2004	2004-2005
Notes Payable	-	18,000	(100.000%)
Totals	<u>\$ -</u>	<u>\$ 18,000</u>	<u>(100.000%)</u>

Economic Factors Bearing on the District's Future

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

- The financial history of the State of Iowa's support for public K-12 schools has translated into restricted levels of state aid funding for education at the local level. Future needs of the district will continue to grow and it is hoped that allowable growth would match the needs of public K-12 education.
- District enrollment increased in fiscal year 2004-2005 by 4 students to a budget enrollment of 504. Under Iowa's school finance formula, funding is highly dependent upon enrollment. During the 2004-2005 school year, George - Little Rock students who open enroll out to other districts increased by 1 student, from 26 to 27. Because George - Little Rock is the resident district, the student is counted for state funding, but then funding is paid to the receiving district. Future enrollment stability is a critical element in maintaining a sound financial foundation.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Delinda Kruger, Board Secretary/Business Manager at the George - Little Rock Community School District, 500 E. Indiana Ave., George, IA 51237 or 712-475-3311.

BASIC FINANCIAL STATEMENTS

George - Little Rock Community School District
Statement of Net Assets
June 30, 2005

Exhibit A

	Governmental Activities	Business Type Activities	Totals
Assets			
Cash and cash equivalents:			
Other	\$ 780,930	\$ 19,144	\$ 800,074
Receivables:			
Property tax:			
Delinquent	18,422	-	18,422
Succeeding year	1,808,370	-	1,808,370
Local option sales taxes	19,590	-	19,590
Accounts	123,200	-	123,200
Due from other governments	-	-	-
Inventories	-	5,459	5,459
Capital assets, net of accumulated depreciation	1,148,997	7,822	1,156,819
Total assets	3,899,509	32,425	3,931,934
Liabilities			
Accounts payable	58,349	-	58,349
Salaries and benefits payable	370,113	11,644	381,757
Deferred revenue - succeeding year property tax	1,808,370	-	1,808,370
Total liabilities	2,236,832	11,644	2,248,476
Net assets			
Invested in capital assets, net of related debt	1,148,997	7,822	1,156,819
Restricted for:			
Management levy	7,635	-	7,635
Physical plant and equipment levy	70,145	-	70,145
Other special revenue purposes	48,342	-	48,342
Capital projects	37,034	-	37,034
Other	3,146	-	3,146
Unrestricted	347,378	12,959	360,337
Total net assets	\$ 1,662,677	\$ 20,781	\$ 1,683,458

See notes to financial statements.

George - Little Rock Community School District
Statement of Activities
June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,003,855	\$ 82,470	\$ 255,383	\$ -
Special instruction	557,850	30,312	145,243	-
Other instruction	394,355	187,334	9,218	-
	<u>2,956,060</u>	<u>300,116</u>	<u>409,844</u>	<u>-</u>
Support services:				
Student services	72,976	-	38,803	-
Instructional staff services	83,680	-	-	-
Administration Services	464,367	-	-	-
Operation and maintenance of plant services	353,483	3,795	-	-
Transportation services	264,153	-	980	-
	<u>1,238,659</u>	<u>3,795</u>	<u>39,783</u>	<u>-</u>
Non-instructional programs				
	<u>672</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	16,340	-	-	44,569
AEA flow-through	149,090	-	149,090	-
	<u>165,430</u>	<u>-</u>	<u>149,090</u>	<u>44,569</u>
Total governmental activities	<u>4,360,821</u>	<u>303,911</u>	<u>598,717</u>	<u>44,569</u>
Business type activities:				
Non-instructional programs:				
Food service operations	203,671	103,835	85,920	-
Total	<u>\$ 4,564,492</u>	<u>\$ 407,746</u>	<u>\$ 684,637</u>	<u>\$ 44,569</u>
General Revenues:				
Property tax levied for:				
General purposes				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Exhibit B

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ (1,666,002)	\$ -	\$ (1,666,002)
(382,295)	-	(382,295)
(197,803)	-	(197,803)
<u>(2,246,100)</u>	<u>-</u>	<u>(2,246,100)</u>
(34,173)	-	(34,173)
(83,680)	-	(83,680)
(464,367)	-	(464,367)
(349,688)	-	(349,688)
(263,173)	-	(263,173)
<u>(1,195,081)</u>	<u>-</u>	<u>(1,195,081)</u>
<u>(672)</u>	<u>-</u>	<u>(672)</u>
28,229	-	28,229
-	-	-
<u>28,229</u>	<u>-</u>	<u>28,229</u>
<u>(3,413,624)</u>	<u>-</u>	<u>(3,413,624)</u>
-	(13,916)	(13,916)
<u>(3,413,624)</u>	<u>(13,916)</u>	<u>(3,427,540)</u>
1,649,431	-	1,649,431
194,371	-	194,371
1,821,256	-	1,821,256
12,714	198	12,912
18,000	-	18,000
<u>3,695,772</u>	<u>198</u>	<u>3,695,970</u>
282,148	(13,718)	268,430
1,380,529	34,499	1,415,028
<u>\$ 1,662,677</u>	<u>\$ 20,781</u>	<u>\$ 1,683,458</u>

George - Little Rock Community School District
 Balance Sheet
 Governmental Funds
 June 30, 2005

Exhibit C

	General	Capital Projects	Nonmajor Special Revenue	Total
Assets				
Cash and pooled investments:				
Other	\$ 650,891	\$ 33,441	\$ 96,598	\$ 780,930
Receivables:				
Property tax:				
Delinquent	15,322	-	3,100	18,422
Local option sales taxes	-	19,590	-	19,590
Accounts	96,078	-	27,122	123,200
Total assets	762,291	53,031	126,820	942,142
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	42,457	15,892	-	58,349
Salaries and benefits payable	369,310	105	698	370,113
Total liabilities	411,767	15,997	698	428,462
Fund balances:				
Reserved for capital projects	-	37,034	-	37,034
Reserved for Management levy	-	-	7,635	7,635
Reserved for Physical Plant and Equipment levy	-	-	70,145	70,145
Reserve Other	3,146	-	48,342	51,488
Unreserved	347,378	-	-	347,378
Total fund balances	350,524	37,034	126,122	513,680
Total liabilities and fund balances	\$ 762,291	\$ 53,031	\$ 126,820	\$ 942,142

See notes to financial statements.

George - Little Rock Community School District
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2005

Exhibit D

Total fund balances of governmental funds (page 20)	\$ 513,680
Amounts reported for governmental activities in the Statements of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,148,997
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	-
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	-
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	-
Net assets of governmental activities (page 19)	<u><u>\$ 1,662,677</u></u>

See notes to financial statements.

George - Little Rock Community School District
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
June 30, 2005

Exhibit E

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 1,353,727	\$ -	\$194,371	\$295,703	\$ 1,843,801
Tuition	95,412	-	-	-	95,412
Other	32,434	-	627	207,590	240,651
Intermediate sources	1,344	-	-	-	1,344
State sources	2,134,627	-	-	206	2,134,833
Federal sources	218,790	-	-	64,546	283,336
Total Revenues	<u>3,836,334</u>	<u>-</u>	<u>194,998</u>	<u>568,045</u>	<u>4,599,377</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,788,735	-	-	192,771	1,981,506
Special instruction	557,850	-	-	-	557,850
Other instruction	394,355	-	-	-	394,355
	<u>2,740,940</u>	<u>-</u>	<u>-</u>	<u>192,771</u>	<u>2,933,711</u>
Support services:					
Student services	72,976	-	-	-	72,976
Instructional staff services	80,801	-	-	-	80,801
Administration Services	464,007	-	-	360	464,367
Operation and maintenance of plant services	258,511	-	-	63,224	321,735
Transportation services	207,354	-	-	16,115	223,469
	<u>1,083,649</u>	<u>-</u>	<u>-</u>	<u>79,699</u>	<u>1,163,348</u>
Non-instructional programs	672	-	-	-	672
Other expenditures:					
Facilities acquisition	-	-	251,890	327,790	579,680
Long-term debt interest	-	18,360	-	-	18,360
AEA flow-through	149,090	-	-	-	149,090
	<u>149,090</u>	<u>18,360</u>	<u>251,890</u>	<u>327,790</u>	<u>747,130</u>
Total expenditures	<u>3,974,351</u>	<u>18,360</u>	<u>251,890</u>	<u>600,260</u>	<u>4,844,861</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(138,017)</u>	<u>(18,360)</u>	<u>(56,892)</u>	<u>(32,215)</u>	<u>(245,484)</u>
Other financing sources (uses):					
Operating transfers in	-	18,360	-	-	18,360
Operating transfers out	-	-	-	(18,360)	(18,360)
General obligation bonds issued	-	-	43,591	-	43,591
Total other financing sources (uses)	<u>-</u>	<u>18,360</u>	<u>43,591</u>	<u>(18,360)</u>	<u>43,591</u>
Net Change in fund balances	(138,017)	-	(13,301)	(50,575)	(201,893)
Fund balances beginning of year	488,541	-	50,335	176,697	715,573
Fund balances end of year	<u>\$ 350,524</u>	<u>\$ -</u>	<u>\$ 37,034</u>	<u>\$126,122</u>	<u>\$ 513,680</u>

See notes to financial statements.

George - Little Rock Community School District
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 - Governmental Funds to the Statement of Activities
 Year ended June 30, 2005

Exhibit F

Net change in fund balance - total governmental funds (page 22) \$ (201,893)

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 not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	563,340	
Depreciation expense	<u>(97,419)</u>	465,921

Certain delinquent property tax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.

-

Proceeds from issuing long-term liabilities provided current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	-	
Repaid	<u>18,000</u>	18,000

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.

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	-	
Compensated absences	<u>-</u>	<u>-</u>

Change in net assets of governmental activities (page 19) \$ 282,148

See notes to financial statements.

George - Little Rock Community School District Exhibit G
Statement of Net Assets
Proprietary Fund
June 30, 2005

	School Nutrition
Assets	
Cash and cash equivalents	\$ 19,144
Inventories	5,459
Capital assets, net of accumulated depreciation	7,822
Total assets	32,425
Liabilities	
Salaries and benefits payable	11,644
Total Liabilities	11,644
Net Assets	
Invested in capital assets, net of related debt	7,822
Unrestricted	12,959
Total net assets	\$ 20,781

See notes to financial statements.

George - Little Rock Community School District
Statement of Revenues, Expenses and Changes in
Fund Net Assets - Proprietary Fund
June 30, 2005

Exhibit H

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 103,835
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	81,137
Benefits	10,865
Purchased services	751
Supplies	100,661
Property	6,631
Depreciation	3,626
Total operating expenses	203,671
Operating loss	(99,836)
Non-operating revenues:	
State sources	2,918
Federal sources	83,002
Interest Income	198
Total non-operating revenues	86,118
Change in net assets	(13,718)
Net assets beginning of year	34,499
Net assets end of year	\$ 20,781

See notes to financial statements.

George - Little Rock Community School District
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2005

EXHIBIT I

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 103,835
Cash paid to employees for services	(88,127)
Cash paid to supplies for goods or services	(87,986)
Net cash used by operating activities	(72,278)
Cash flows from non-capital financing activities:	
State grants received	2,918
Federal grants received	66,928
Net cash provided by non-capital financing activities	69,846
Cash flows from capital and related financing activities:	
Sale of capital assets	-
Acquisition of capital assets	-
Net cash used by capital and related financing activities	-
Cash flows from investing activities:	
Interest on Investments	198
Net increase in cash and cash equivalents	(2,234)
Cash and cash equivalents beginning of year	21,378
Cash and cash equivalents end of year	\$ 19,144
Reconciliation of operating loss to net cash used by operating activities	
Operating Loss	\$ (99,836)
Adjustments to reconcile operating loss to net cash used by operating activities	
Commodities used	16,859
Depreciation	3,626
(Increase) Decrease in inventories	3,199
(Increase) Decrease in prepaid expenses	1,200
Increase (Decrease) in accounts payable	-
Increase (Decrease) in salaries and benefits payable	2,674
Increase (Decrease) in due to other governments	-
Net cash used by operating activities	\$ (72,278)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$16,074 of federal commodities.

See notes to financial statements.

GEORGE - LITTLE ROCK COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies

The George - Little Rock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of George, Little Rock and Boyden, Iowa and the predominately agricultural territory in Lyon, Sioux and Osceola Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, George - Little Rock Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The George - Little Rock Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	2,500
Other furniture and equipment	2,500
	Estimated
Asset Class	Useful Lives (in Years)
Buildings	100 years
Improvements other than buildings	15 - 50 years
Furniture and equipment:	3 - 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay

liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the instruction and support services functional areas exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2005 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.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

(3) Due From and Due to Other Funds

There were no interfund receivables and payables at June 30, 2005.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from:	Amount
Debt Service	Physical Plant and Equipment Levy	\$ 18,360
		\$ 18,360

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 52,776	\$ -	\$ 13,506	\$ 39,270
Construction in progress	-	232,901	-	232,901
Total capital assets not being depreciated	52,776	232,901	13,506	272,171
Capital assets being depreciated:				
Buildings	9,296,764	-	7,466,536	1,830,228
Improvements other than buildings	106,070	332,770	-	438,840
Furniture and equipment	954,738	-	406,297	548,441
Total capital assets being depreciated	10,357,572	332,770	7,872,833	2,817,509
Less accumulated depreciation for:				
Buildings	6,226,431	-	4,925,166	1,301,265
Improvements other than buildings	60,972	277,211	-	338,183
Furniture and equipment	443,196	-	141,959	301,237
Total accumulated depreciation	6,730,599	277,211	5,067,125	1,940,685
Total capital assets being depreciated, net	3,626,973	55,559	2,805,708	876,824
Governmental activities capital assets, net	\$ 3,679,749	\$ 288,460	\$ 2,819,214	\$ 1,148,995
Business type activities:				
Furniture and equipment	\$ 39,221	\$ 73,965	\$ -	\$ 113,186
Less accumulated depreciation	(25,058)	(80,306)	-	(105,364)
Business type activities capital assets, net	\$ 14,163	\$ (6,341)	\$ -	\$ 7,822

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	22,348
Special	-
Other	-

Support services:

Instructional staff	2,879
Administration	-
Operation and maintenance of plant	31,508
Transportation	40,684
	<u>97,419</u>

Unallocated

	-
Total depreciation expense - governmental activities	<u>\$ 97,419</u>

Business type activities:

Food service operations	<u>\$ 3,626</u>
-------------------------	-----------------

6) Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2005, is as follows:

LONG - TERM LIABILITIES

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Notes Payable	\$ 18,000		\$ 18,000	\$ -	\$ -
Total	\$ 18,000	\$ -	\$ 18,000	\$ -	\$ -

Details of the District's June 30, 2005, long-term indebtedness is as follows:

Year Ending June 30,	Capital Loan Note Series - 2001			
	Interest Rate	Principal	Interest	Total
2006		\$0	\$0	\$ -
Total		\$0	\$0	\$0

During the year ended June 30, 2005, the District made interest payments totaling \$360 under the agreements.

(7) Merged School Districts

Effective July 1, 2004 the school districts of George and Little Rock merged to form one school district called George – Little Rock Community School District.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute, to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117. Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$126,172, \$135,363 and \$140,053 respectively, equal to the required contributions for each year.

(9) Risk Management

George - Little Rock Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered

by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$149,090 for the year ended June 30, 2005, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Construction in Progress

The District has started a capital project to make improvements to the schools in George and Little Rock. To date the project has been designed and bids were requested to build the additions. Upon reviewing the bids on August 22, 2005 all bids were rejected. The project was again advertised for bids for the November 14 board meeting. Hoogendoorn Construction, Inc. of Canton, SD was awarded the contract for \$4,980,750.

(12) Bonds issued

On June 20, 2005 the District approved the sale of 20 year General Obligation bonds for \$4,360,000 with an interest rate of 4.206998%. The district also approved the sale of 8 year local option sales tax revenue bonds for \$679,862.50 with an interest rate of 3.7121%.

George – Little Rock Community School District

Required Supplementary Information

George - Little Rock Community School District
 Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local Sources	\$ 2,108,200	\$ 104,033
Intermediate sources	1,344	-
State sources	2,173,782	2,918
Federal sources	283,336	66,928
Total receipts	<u>4,566,662</u>	<u>173,879</u>
Disbursements:		
Instruction	2,879,105	-
Support services	1,163,348	-
Non-instructional programs	672	176,113
Other expenditures	731,133	-
Total disbursements	<u>4,774,258</u>	<u>176,113</u>
Deficiency of receipts under disbursements	(207,596)	(2,234)
Other financing sources, net	43,591	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(164,005)	(2,234)
Balances beginning of year	944,935	21,378
Balances end of year	<u>\$ 780,930</u>	<u>\$ 19,144</u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
\$ 2,212,233	\$ 2,132,129	\$ 2,132,129	\$ 80,104
1,344	-	-	1,344
2,176,700	2,155,740	2,155,740	20,960
350,264	239,000	239,000	111,264
<u>4,740,541</u>	<u>4,526,869</u>	<u>4,526,869</u>	<u>213,672</u>
2,879,105	2,771,007	2,800,000	79,105
1,163,348	1,215,600	1,295,000	(131,652)
176,785	190,000	190,000	(13,215)
731,133	533,413	2,000,000	(1,268,867)
<u>4,950,371</u>	<u>4,710,020</u>	<u>6,285,000</u>	<u>(1,334,629)</u>
(209,830)	(183,151)	(1,758,131)	1,548,301
43,591	-	2,000,000	(1,956,409)
(166,239)	(183,151)	241,869	(408,108)
966,313	658,459	658,459	307,854
<u>\$ 800,074</u>	<u>\$ 475,308</u>	<u>\$ 900,328</u>	<u>\$ (100,254)</u>

George - Little Rock Community School District
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2005

	Government Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 4,566,662	\$ 32,715	\$ 4,599,377
Expenditures	4,774,258	70,855	4,845,113
Net	(207,596)	(38,140)	(245,736)
Other financing sources, net	43,591	-	43,591
Beginning fund balances	944,935	229,110	1,174,045
Ending fund balances	\$ 780,930	\$ 190,970	\$ 971,900

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 173,879	\$ 16,074	\$ 189,953
Expenditures	176,113	27,559	203,672
Net	(2,234)	(11,485)	(13,719)
Beginning fund balances	21,378	13,122	34,500
Ending fund balances	\$ 19,144	\$ 1,637	\$ 20,781

See accompanying independent auditor's report.

George – Little Rock Community School District
Notes to Required Supplementary Information – Budgetary Reporting
Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Forma and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$1,574,980.

During the year ended June 30, 2005, disbursements in the instruction function exceeded the amounts budgeted but the District did not exceed its General Fund unspent authorized budget.

George – Little Rock Community School District

Other Supplementary Information

George - Little Rock Community School District
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2005

Schedule 1

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Public Education Recreation Levy	Total
Assets					
Cash and cash Equivalents:					
Cash	\$ 6,945	\$ 38,115	\$ 21,501	\$ 19,810	\$ 86,371
Investments	-	10,227	-	-	10,227
Receivables:					
Property tax:					
Delinquent	690	-	2,230	180	3,100
Accounts	-	-	27,122	-	27,122
Total assets	7,635	48,342	50,853	19,990	126,820
Liabilities and Fund Equity					
Liabilities:					
Salaries and benefits payable	-	-	-	698	698
Total liabilities	-	-	-	698	698
Fund equity:					
Unreserved fund balances	7,635	48,342	50,853	19,292	126,122
Total liabilities and fund equity	\$ 7,635	\$ 48,342	\$ 50,853	\$ 19,990	\$ 126,820

See accompanying independent auditor's report.

George - Little Rock Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year ended June 30, 2005

Schedule 2

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Public Education Recreation Levy	Total
Revenues:					
Local sources:					
Local tax	\$ 65,828	\$ -	\$ 212,682	\$ 17,193	\$ 295,703
Other	498	187,338	18,685	1,069	207,590
State sources	46	-	148	12	206
Federal Sources	-	-	64,546	-	64,546
Total revenues	<u>66,372</u>	<u>187,338</u>	<u>296,061</u>	<u>18,274</u>	<u>568,045</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	(417)	193,188	-	-	192,771
Special instruction	-	-	-	-	-
Other instruction	-	-	-	-	-
Support services:					
Student Services	-	-	-	-	-
Administration Services	-	-	360	-	360
Operation and maintenance of plant services	59,724	-	-	3,500	63,224
Student Transportation	-	-	-	16,115	16,115
Other expenditures:					
Facilities acquisition	-	-	327,790	-	327,790
Total expenditures	<u>59,307</u>	<u>193,188</u>	<u>328,150</u>	<u>19,615</u>	<u>600,260</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,065</u>	<u>(5,850)</u>	<u>(32,089)</u>	<u>(1,341)</u>	<u>(32,215)</u>
Other financing sources (uses):					
Operating transfers out	-	-	(18,360)	-	(18,360)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(18,360)</u>	<u>-</u>	<u>(18,360)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	7,065	(5,850)	(50,449)	(1,341)	(50,575)
Fund balances beginning of year	570	54,192	101,302	20,633	176,697
Fund balances end of year	<u>\$ 7,635</u>	<u>\$ 48,342</u>	<u>\$ 50,853</u>	<u>\$ 19,292</u>	<u>\$ 126,122</u>

See accompanying independent auditor's report.

George - Little Rock Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Adult Education	627	-	-	627
Annual	4,156	4,937	4,578	4,515
Resale	2,579	24,721	26,256	1,044
General	3,365	33,294	35,292	1,367
Athletics	70	7,116	7,186	-
Baseball	-	2,575	2,575	-
Basketball:				
Boys	-	4,242	4,242	-
Boys Fundraiser	942	4,553	4,542	953
Girls	-	18,724	18,724	-
Track:				
Boys	-	1,389	1,389	-
Girls	-	2,199	2,199	-
Softball	-	4,240	4,240	-
Wrestling	-	1,241	1,241	-
Football	-	304	304	-
Golf:				
Boys	-	673	673	-
Girls	-	630	630	-
Volleyball	-	3,195	2,873	322
Cross Country	-	1,122	1,122	-
Cheerleaders	-	1,553	1,553	-
Music - Vocal	-	3,309	3,053	256
Music - Instrumental	180	3,596	3,636	140
Music Boosters	343	-	-	343
Recreation Club	399	284	302	381
Faculty	408	2,045	1,563	890
Future Farmers of America	5	20,727	20,534	198
Future Farmers /Savings	9,615	(5,904)	-	3,711
National Honor Society	49	117	95	71
MS Student Council	264	-	(151)	415
HS Student Council	3,067	1,729	3,072	1,724
Border Lodge Scholarship	-	300	300	-
Broadway Bound	890	379	1,033	236
Investor Group	-	5,480	3,476	2,004
Drama Club	-	4,011	4,011	-
Summer Recreation	2,263	4,660	5,210	1,713

George - Little Rock Community School District
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 Year ended June 30, 2005

Schedule 3

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Class of:				
2005	848	(299)	549	-
2006	1,010	6,008	4,299	2,719
2007	246	92	338	-
2008	413	-	5	408
2009	251	674	539	386
2010	112	447	358	201
2011	-	651	521	130
Insurance	-	1,681	1,681	-
NOW Interest	(4)	4	-	-
Magazines	63	990	1,053	-
MS Magazines	5,658	4,837	4,973	5,522
MS Yearbook	-	2,050	2,050	-
Pictures	59	(59)	-	-
MS Reading Program	1	395	396	-
Martha Schrick Memorial	-	3	3	-
Steve Groenwold Memorial	40	-	-	40
Jim Schaar Memorial	45	-	3	42
Mexico Trip	355	-	25	330
Virgil Krull Memorial	-	3	3	-
Band Fundraiser	12,779	8,008	5,370	15,417
Workkeys	601	-	-	601
Vending Machine	1,756	3,515	4,254	1,017
Promotions	737	897	1,015	619
	<u>\$ 54,192</u>	<u>\$ 187,338</u>	<u>\$ 193,188</u>	<u>\$ 48,342</u>

See accompanying independent auditor's report.

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

Schedule 4

	Modified Accrual Basis			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 1,843,801	\$ 1,686,118	\$ 1,843,822	\$ 1,828,821
Tuition	95,412	78,793	638,544	619,868
Other	240,651	285,002	360,236	371,405
Intermediate sources	1,344	-	-	-
State sources	2,134,833	1,941,302	1,822,910	1,764,558
Federal sources	283,336	179,640	280,417	213,612
Total	<u>4,599,377</u>	<u>4,170,855</u>	<u>4,945,929</u>	<u>4,798,264</u>
Expenditures:				
Instruction:				
Regular instruction	1,981,506	1,838,852	2,107,000	2,010,641
Special instruction	557,850	571,727	608,721	629,562
Other instruction	394,355	292,522	457,608	436,683
Support services:				
Student services	72,976	48,851	75,569	62,058
Instructional staff services	80,801	75,841	53,004	99,507
Administration Services	464,367	628,640	611,925	621,407
Operation and maintenance of plant services	321,735	250,703	233,077	215,444
Transportation services	223,469	193,493	214,410	210,640
Central support services	-	-	6,190	4,906
Non-instructional programs	204,343	168,946	172,890	169,713
Other expenditures:				
Facilities acquisition	579,680	287,585	280,423	229,082
Long-term debt interest	18,360	17,000	15,000	-
AEA flow-through	149,090	146,587	157,934	160,195
Total	<u>\$ 5,048,532</u>	<u>\$ 4,520,747</u>	<u>\$ 4,993,751</u>	<u>\$ 4,849,838</u>

See accompanying independent auditor's report.

George – Little Rock Community School District

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**Independent Auditor's Report on Compliance and on Internal Control over
Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with Government Auditing
Standards**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of George - Little Rock Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 26, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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-05-A is a material weakness.

Compliance

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit is based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of George - Little Rock Community School District and other parties to whom George - Little Rock Community School District may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Wells Heard Halse & Co.

October 26, 2005

George - Little Rock Community School District
Schedule of Findings
Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

ported.

REPORTABLE CONDITIONS:

I-05-A Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. We noted that the same person did all cash receipts and disbursements and bookkeeping and deposit functions.

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

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

Conclusion - Response accepted.

George - Little Rock Community School District
Schedule of Findings
Year ended June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting:

- II-05-A Official Depository – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- II-05-B Certified Budget - Disbursements for the year ended June 30, 2005, exceeded the amount budgeted in the instruction area.
- Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response – We will amend our budget before disbursements exceed the budget.
- Conclusion – Response accepted.
- II-05-C Questionable Disbursements - No disbursements were noted that might not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-05-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-05-E Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. Coverage amounts should be reviewed annually to insure adequacy for current operations.
- II-05-F Board Minutes - No transactions requiring Board approval, which had not been approved by the Board, were noted.
- II-05-G Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Districts’ investment policy were noted.
- II-05-H Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- Recommendation – The Certified Annual Report should have been filed by September 15, 2005.
- Response – The District wanted the Certified Annual Report to be correct and waited until the audit was complete and any adjustments needed made before submitting the report.
- Conclusion – Response accepted

George - Little Rock Community School District
Schedule of Findings
Year ended June 30, 2005

- II-05-I Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-05-J Business Transactions – No business transactions between the District and District officials or employees were noted.