

Gladbrook-Reinbeck Community School District

**Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings**

June 30, 2005

Table of Contents

	<u>Page</u>	
Officials	1	
Independent Auditor's Report	2-3	
Management's Discussion and Analysis	4-11	
Basic Financial Statements:		<u>Exhibit</u>
Government-wide Financial Statements:		
Statement of Net Assets	A	12
Statement of Activities	B	13-14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	20
Statement of Cash Flows-School Nutrition Fund	I	21
Statement of Cash Flows-Swimming Pool	J	22
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	K	23
Notes to Financial Statements		24-31
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements And Changes in Balances-Budget and Actual (Cash Basis) -All Governmental Funds and Proprietary Funds		32
Budgetary Comparison Schedule-Budget to GAAP Reconciliation		33
Notes to Required Supplementary Information- Budgetary Reporting		34
Other Supplementary Information:		<u>Schedule</u>
Non-major Special Revenue Funds:		
Combining Balance Sheet	1	35
Combining Schedule of Revenues, Expenditures and Changes In Fund Balances	2	36
Schedule of Changes in Special Revenue Fund-Student Activity Accounts	3	37-38
Schedule of Changes in Fiduciary Assets and Liabilities-Agency Fund	4	39
Schedule of Revenues by Source and Expenditures by Function- All Governmental Funds	5	40
Independent Auditor's Report 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		41-42
Schedule of Findings		43-45

Gladbrook-Reinbeck Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2004 Election)		
Kelly Dinsdale	President	2006
Sherri Denbow	Vice President	2005
Cindy Blaine	Board Member	2004
Douglas Rowe	Board Member	2006
Ed Ohrt	Board Member	2004
Theodore Hamer	Board Member	2005
Rick Lockhart	Board Member	2005
(After September 2004 Election)		
Sherri Denbow	President	2005
Theodore Hamer	Vice President	2005
Kelly Dinsdale	Board Member	2006
Douglas Rowe	Board Member	2006
Rick Lockhart	Board Member	2005
Beth Miller	Board Member	2007
Michael Bearden	Board Member	2007
School Officials		
Dennis Modlin	Superintendent	2005
Debra Oleson	District Secretary/Treasurer	2005

Independent Auditor's Report

To the Board of Education of
Gladbrook-Reinbeck Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gladbrook-Reinbeck Community School District, Reinbeck, 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my 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 Gladbrook-Reinbeck Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated September 7, 2005 on my consideration of Gladbrook-Reinbeck Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gladbrook-Reinbeck Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 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 my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge
Certified Public Accountant

September 7, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gladbrook-Reinbeck 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

- General Fund revenues increased from \$5,744,833 in fiscal 2004 to \$5,933,861 in fiscal 2005, while General Fund expenditures increased from \$5,778,362 in fiscal 2004 to \$6,139,666 in fiscal 2005. The District's General Fund balance decreased from \$167,365 in fiscal year 2004 to -\$48,440 in fiscal year 2005, a 246% decrease.
- The increase in General Fund revenues was attributable to a small increase in state and federal grant revenue in fiscal year 2005. The increase in expenditures was due to an overall small increase in almost all categories of expenditures. As a result, the District funded a portion of the current year General Fund expenditures from the carryover fund balance.
- A decrease in the District's General Fund balance resulted in the District's solvency ratio decreasing from 2.7% in 2004 to 0.8% in fiscal 2005. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

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 Gladbrook-Reinbeck 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 Gladbrook-Reinbeck 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 Gladbrook-Reinbeck Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to 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 non-major Special Revenue Funds.

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

Figure A-1
Gladbrook-Reinbeck Community School District Annual Financial Report

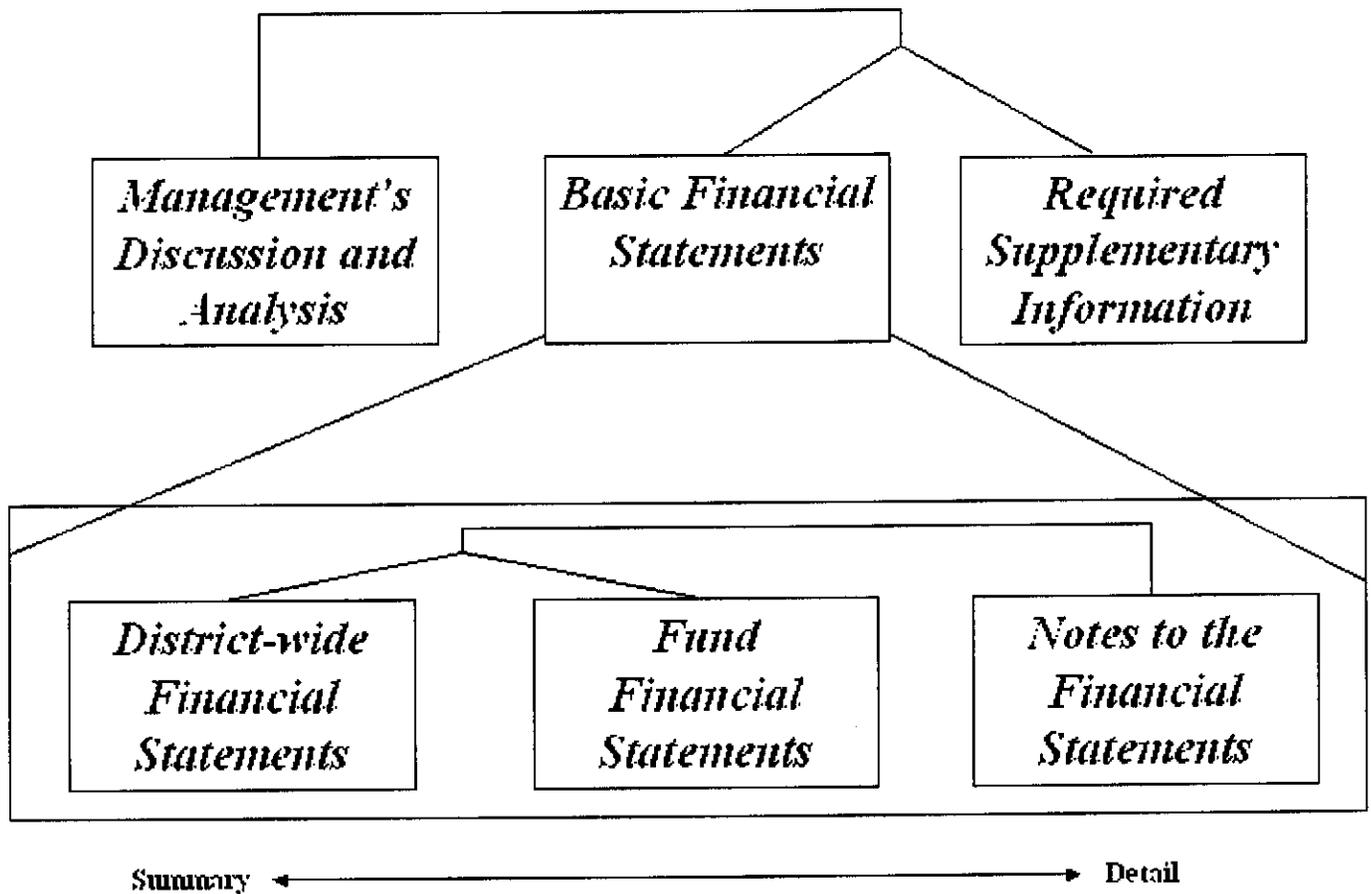


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in fund net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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 financial 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 three kinds of funds:

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

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

The required financial statements for 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 two Enterprise Funds, the School Nutrition Fund and the Swimming Pool Fund.

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds Agency Funds.

- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of the District.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purpose and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets.

Reconciliation 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.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Current and other assets	\$3,595,304	\$3,300,246	\$35,368	\$27,535	\$3,630,672	\$3,327,781	9.1%
Capital assets	1,685,258	986,961	7,896	9,926	1,693,154	996,887	69.8%
Total assets	\$5,280,562	\$4,287,207	\$43,264	\$37,461	\$5,323,826	\$4,324,668	23.10%
Long-term liabilities	\$893,523	\$59,152	\$-	\$-	\$893,523	\$59,152	1410.55%
Other liabilities	2,926,104	2,777,617	11,026	11,649	2,937,130	2,789,266	5.3%
Total liabilities	\$3,819,627	\$2,836,769	\$11,026	\$11,649	\$3,830,653	\$2,848,418	34.5%
Net assets:							
Invested in capital assets, net of related debt	\$835,258	\$986,961	\$7,896	\$9,926	\$843,154	\$996,887	-15.4%
Restricted	-	8,840	-	-	-	8,840	-100.0%
Unrestricted	625,677	454,637	24,342	15,886	650,019	470,523	38.1%
Total net assets	\$1,460,935	\$1,450,438	\$32,238	\$25,812	\$1,493,173	\$1,476,250	1.1%

The District's combined total net assets increased by nearly 1.1%, or \$16,923, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

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 by \$8,840, or 100% over the prior 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 other legal requirements – increased by \$179,496 or 38.1%.

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

**Figure A-4
Changes in Net Assets**

	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$386,933	\$179,830	\$566,763
Operating grants, contributions and restricted interest	621,429	92,146	713,575
Capital grants, contributions and restricted interest	-	-	-
General revenues:			
Property tax	2,443,168	-	2,443,168
Local option sales & service tax	352,884	-	352,884
Unrestricted state grants	2,917,176	-	2,917,176
Unrestricted investment earnings	26,070	147	26,217
Other	42,711	1,100	43,811
Total revenues	\$6,790,371	\$273,223	\$7,063,594
Program expenses:			
Governmental activities:			
Instruction	\$4,133,599	\$-	\$4,133,599
Support services	2,077,004	14,974	2,091,978
Non-instructional programs	35,391	261,823	297,214
Other expenses	523,880	-	523,880
Total expenses	\$6,769,874	\$276,797	\$7,046,671
Change in net assets	\$20,497	-\$3,574	\$16,923

Property tax and unrestricted state grants account for 76% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,790,371 and expenses were \$6,769,874. 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 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	\$4,133,599	\$3,216,850
Support services	2,077,004	1,985,391
Non-instructional programs	35,391	35,391
Other expenses	523,880	523,880
Totals	\$6,769,874	\$5,761,512

- The cost financed by users of the District's programs was \$566,763.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$713,575.
- The net cost of governmental activities was financed with \$2,796,052 in property and other taxes and \$2,917,176 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$283,223, which included \$10,000 transferred from the General Fund to the Swimming Pool Fund, and expenses were \$276,797. The District's business type activities include the School Nutrition Fund and Swimming Pool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Gladbrook-Reinbeck 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 \$1,460,935, more than last year's ending fund balances of \$1,450,438.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenue was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$167,365 to -\$48,440, due in part to the existing expenditure commitments of the District. Staff reductions were made to help control these increased expenditures.

BUDGETARY HIGHLIGHTS

Over the course of the year, Gladbrook-Reinbeck Community School District amended its annual budget one time.

The District's receipts were \$251,419 less than budgeted receipts, a variance of 3.5%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at an amount less than 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 ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$1,693,154, 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 increase of 69.8% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$266,091.

The original cost of the District's capital assets was \$6,786,881. Governmental funds account for \$6,761,216, with the remainder of \$25,665 accounted for in the Proprietary, School Nutrition Fund and Swimming Pool Fund.

**Figure A-6
Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Land	\$37,965	\$37,965	\$-	\$-	\$37,965	\$37,965	0.0%
Construction in process	782,571	-	-	-	782,571	-	100.0%
Buildings	602,953	681,934	-	-	602,953	681,934	-11.6%
Improvements other than buildings	42,616	13,102	-	-	42,616	13,102	225.3%
Furniture and equipment	219,153	253,960	7,896	9,926	227,049	263,886	-14.0%
Totals	\$1,685,258	\$986,961	\$7,896	\$9,926	\$1,693,154	\$996,887	69.8%

Long-Term Debt

At June 30, 2005, the District had \$893,265 in other long-term debt outstanding. This represents an increase of 1410.1% 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**

	Total District		Total Change
	June 30,		June 30,
	2005	2004	2004-2005
Capital note	\$850,000	\$-	100.0%
Early retirement	7,572	24,201	-68.7%
Compensated absences	35,693	34,951	2.1%
Totals	\$893,265	\$59,152	1410.1%

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 Debra Oleson, District Secretary/Treasurer, Gladbrook-Reinbeck Community School District, 300 Cedar Street, Reinbeck IA 50669.

Basic Financial Statements

Gladbrook-Reinbeck Community School District

Statement of Net Assets

June 30, 2005

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents:			
Other	\$ 1,028,040	\$ 30,710	\$ 1,058,750
Receivables:			
Property tax:			
Delinquent	34,922	-	34,922
Succeeding year	2,294,344	-	2,294,344
Accounts	192,982	-	192,982
Accrued interest-other	3,774	-	3,774
Due from other funds	738	-	738
Due from other governments	40,504	-	40,504
Inventories	-	4,658	4,658
Capital assets, net of accumulated depreciation	1,685,258	7,896	1,693,154
Total Assets	\$ 5,280,562	\$ 43,264	\$ 5,323,826
Liabilities			
Excess of warrants issued over bank balance	\$ -	\$ 172	\$ 172
Accounts payable	149,160	2,387	151,547
Salaries and benefits payable	469,924	4,682	474,606
Accrued interest payable	1,700	-	1,700
Deferred revenue-succeeding year property tax	2,294,344	-	2,294,344
Other	-	3,785	3,785
ISEBA payable	10,976	-	10,976
Long-term liabilities:			
Portion due within one year:			
Capital note	85,000	-	85,000
Early retirement	1,630	-	1,630
Compensated absences	35,951	-	35,951
Portion due after one year:			
Capital note	765,000	-	765,000
Early retirement	5,942	-	5,942
Total Liabilities	\$ 3,819,627	\$ 11,026	\$ 3,830,653
Net Assets			
Invested in capital assets, net of related debt	\$ 835,258	\$ 7,896	\$ 843,154
Unrestricted	625,677	24,342	650,019
Total Net Assets	\$ 1,460,935	\$ 32,238	\$ 1,493,173

Gladbrook-Reinbeck Community School District

Statement of Activities

Year Ended June 30, 2005

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,748,729	\$ 119,266	\$ 518,253	\$ -
Special instruction	768,160	24,272	80,533	-
Other instruction	616,710	157,430	16,995	-
	<u>\$ 4,133,599</u>	<u>\$ 300,968</u>	<u>\$ 615,781</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 141,722	\$ -	\$ 4,648	\$ -
Instructional staff services	248,313	-	-	-
Administration services	641,569	-	1,000	-
Operation and maintenance of plant services	641,501	512	-	-
Transportation services	403,030	85,453	-	-
Community services	869	-	-	-
	<u>\$ 2,077,004</u>	<u>\$ 85,965</u>	<u>\$ 5,648</u>	<u>\$ -</u>
Non-instructional programs	\$ 35,391	\$ -	\$ -	\$ -
Other Expenditures:				
Facilities acquisition	\$ 255,107	\$ -	\$ -	\$ -
Interest	32,910	-	-	-
AEA flow-through	235,863	-	-	-
	<u>\$ 523,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 6,769,874</u>	<u>\$ 386,933</u>	<u>\$ 621,429</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 261,823	\$ 173,539	\$ 92,146	\$ -
Support Services:				
Community Services:				
Swimming pool	14,974	6,291	-	-
Total Business Type Activities	<u>\$ 276,797</u>	<u>\$ 179,830</u>	<u>\$ 92,146</u>	<u>\$ -</u>
Total	<u>\$ 7,046,671</u>	<u>\$ 566,763</u>	<u>\$ 713,575</u>	<u>\$ -</u>

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ -2,111,210	\$ -	\$ -2,111,210
-663,355	-	-663,355
-442,285	-	-442,285
<u>\$ -3,216,850</u>	<u>\$ -</u>	<u>\$ -3,216,850</u>
\$ -137,074	\$ -	\$ -137,074
-248,313	-	-248,313
-640,569	-	-640,569
-640,989	-	-640,989
-317,577	-	-317,577
-869	-	-869
<u>\$ -1,985,391</u>	<u>\$ -</u>	<u>\$ -1,985,391</u>
<u>\$ -35,391</u>	<u>\$ -</u>	<u>\$ -35,391</u>
\$ -255,107	\$ -	\$ -255,107
-32,910	-	-32,910
-235,863	-	-235,863
<u>\$ -523,880</u>	<u>\$ -</u>	<u>\$ -523,880</u>
<u>\$ -5,761,512</u>	<u>\$ -</u>	<u>\$ -5,761,512</u>
\$ -	\$ 3,862	\$ 3,862
-	-8,683	-8,683
<u>\$ -</u>	<u>\$ -4,821</u>	<u>\$ -4,821</u>
<u>\$ -5,761,512</u>	<u>\$ -4,821</u>	<u>\$ -5,766,333</u>

Gladbrook-Reinbeck Community School District

Statement of Activities

Year Ended June 30, 2005

	<u>Program Revenues</u>		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Expenses</u>			
General Revenues:			
Property Tax Levied For:			
General purposes			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total General Revenues			
Change in net assets			
Operating transfer			
Net assets beginning of year			
Net Assets End of Year			

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ 2,263,308	\$ -	\$ 2,263,308
179,860	-	179,860
352,884	-	352,884
2,917,176	-	2,917,176
26,070	147	26,217
42,711	1,100	43,811
<hr/> \$ 5,782,009	<hr/> \$ 1,247	<hr/> \$ 5,783,256
\$ 20,497	\$ -3,574	\$ 16,923
-10,000	10,000	-
1,450,438	25,812	1,476,250
<hr/> \$ 1,460,935	<hr/> \$ 32,238	<hr/> \$ 1,493,173

Gladbrook-Reinbeck Community School District

**Balance Sheet
Governmental Funds**

June 30, 2005

Assets	General	Management	Physical Plant and Equipment Levy	Capital Projects
Cash and Pooled Investments:				
Other	\$ 339,644	\$ 229,422	\$ 111,719	\$ 270,885
Receivables:				
Property Tax:				
Delinquent	30,323	1,943	2,656	-
Succeeding year	1,987,546	150,000	156,798	-
Accounts	45,038	-	-	145,947
Accrued interest-other	-	-	-	3,740
Due from other funds	738	-	-	-
Due from other governments	40,504	-	-	-
Total Assets	\$ 2,443,793	\$ 381,365	\$ 271,173	\$ 420,572
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 34,763	\$ -	\$ 8,385	\$ 104,822
Salaries and benefits payable	469,924	-	-	-
Deferred Revenue:				
Succeeding year property tax	1,987,546	150,000	156,798	-
Total Liabilities	\$ 2,492,233	\$ 150,000	\$ 165,183	\$ 104,822
Fund Balances:				
Unreserved	\$ -48,440	\$ 231,365	\$ 105,990	\$ 315,750
Total Liabilities and Fund Balances	\$ 2,443,793	\$ 381,365	\$ 271,173	\$ 420,572

See notes to financial statements.

Non-major Special Revenue		Total
\$	76,370	\$ 1,028,040
	-	34,922
	-	2,294,344
	1,997	192,982
	34	3,774
	-	738
	-	40,504
<u>\$</u>	<u>78,401</u>	<u>\$ 3,595,304</u>
\$	1,190	\$ 149,160
	-	469,924
	-	2,294,344
<u>\$</u>	<u>1,190</u>	<u>\$ 2,913,428</u>
\$	77,211	\$ 681,876
<u>\$</u>	<u>78,401</u>	<u>\$ 3,595,304</u>

Gladbrook-Reinbeck Community School District

Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets

June 30, 2005

Total fund balances of governmental funds (page 15)	\$ 681,876
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	1,685,258
Long-term liabilities, including early retirement and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds	-43,523
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	-1,700
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	-850,000
ISEBA payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	<u>-10,976</u>
Net assets of governmental activities (page 12)	<u>\$ 1,460,935</u>

See notes to financial statements.

Gladbrook-Reinbeck Community School District

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

Year Ended June 30, 2005

	General	Management	Physical Plant and Equipment Levy	Capital Projects
Revenues:				
Local Sources:				
Local tax	\$ 2,139,298	\$ 124,160	\$ 179,710	\$ -
Tuition	78,384	-	-	-
Other	177,833	2,951	1,927	388,869
Intermediate sources	-	-	-	-
State sources	3,352,494	109	150	-
Federal sources	185,852	-	-	-
Total Revenues	\$ 5,933,861	\$ 127,220	\$ 181,787	\$ 388,869
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,663,642	\$ 43,321	\$ -	\$ -
Special instruction	768,160	-	-	-
Other instruction	448,734	-	-	-
	\$ 3,880,536	\$ 43,321	\$ -	\$ -
Support Services:				
Student services	\$ 141,722	\$ -	\$ -	\$ -
Instructional staff services	248,330	-	-	-
Administration services	615,678	21,784	-	-
Operation and maintenance of plant services	623,021	14,221	-	-
Transportation services	360,095	14,572	28,041	-
Community services	-	869	-	-
	\$ 1,988,846	\$ 51,446	\$ 28,041	\$ -
Non-instructional programs	\$ 34,421	\$ 870	\$ -	\$ -
Other Expenditures:				
Facilities acquisition	\$ -	\$ -	\$ 50,353	\$ 962,015
Long-term debt:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
AEA flow-through	235,863	-	-	-
	\$ 235,863	\$ -	\$ 50,353	\$ 962,015
Total Expenditures	\$ 6,139,666	\$ 95,637	\$ 78,394	\$ 962,015
Excess (deficiency) of revenues over (under) expenditures	\$ -205,805	\$ 31,583	\$ 103,393	\$ -573,146
Other Financing Sources (Uses):				
Loan proceeds	\$ -	\$ -	\$ 930,000	\$ -
Discount on loans	-	-	-3,720	-
Operating transfers in	-	-	-	913,510
Operating transfers out	-10,000	-	-1,023,486	-
Total Other Financing Sources (Uses)	\$ -10,000	\$ -	\$ -97,206	\$ 913,510
Net change in fund balances	\$ -215,805	\$ 31,583	\$ 6,187	\$ 340,364
Fund balances beginning of year	167,365	199,782	99,803	-24,614
Fund Balances End of Year	\$ -48,440	\$ 231,365	\$ 105,990	\$ 315,750

See notes to financial statements.

Non-major Special Revenue		Total
\$	-	\$ 2,443,168
	-	78,384
	158,634	730,214
	-	-
	-	3,352,753
	-	185,852
<u>\$</u>	<u>158,634</u>	<u>\$ 6,790,371</u>
\$	-	\$ 2,706,963
	-	768,160
	161,716	610,450
<u>\$</u>	<u>161,716</u>	<u>\$ 4,085,573</u>
\$	-	\$ 141,722
	-	248,330
	-	637,462
	-	637,242
	-	402,708
	-	869
<u>\$</u>	<u>-</u>	<u>\$ 2,068,333</u>
<u>\$</u>	<u>-</u>	<u>\$ 35,291</u>
\$	-	\$ 1,012,368
	80,000	80,000
	29,976	29,976
	-	235,863
<u>\$</u>	<u>109,976</u>	<u>\$ 1,358,207</u>
<u>\$</u>	<u>271,692</u>	<u>\$ 7,547,404</u>
<u>\$</u>	<u>-113,058</u>	<u>\$ -757,033</u>
\$	-	\$ 930,000
	-	-3,720
	109,976	1,023,486
	-	-1,033,486
<u>\$</u>	<u>109,976</u>	<u>\$ 916,280</u>
\$	-3,082	\$ 159,247
	80,293	522,629
<u>\$</u>	<u>77,211</u>	<u>\$ 681,876</u>

Gladbrook-Reinbeck 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

Net change in fund balances – total governmental funds (page 17) \$ 159,247

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, these 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	\$ 1,100,303	
Depreciation expense	-264,061	
Fixed asset adjustment	<u>-137,945</u>	698,297

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	\$ 16,629	
Compensated absences	34,941	
New compensated absences	<u>-35,693</u>	15,887

Proceeds from issuing long-term liabilities provide 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	\$ -930,000	
Repaid	<u>80,000</u>	-850,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

-2,934

Change in Net Assets of Governmental Activities (page 14) \$ 20,497

Gladbrook-Reinbeck Community School District

Statement of Net Assets
Proprietary Funds

June 30, 2005

	Swimming Pool	School Nutrition	Total
Assets			
Cash and cash equivalents	\$ -	\$ 30,710	\$ 30,710
Inventories	-	4,658	4,658
Capital assets, net of accumulated depreciation	1,616	6,280	7,896
Total Assets	\$ 1,616	\$ 41,648	\$ 43,264
Liabilities			
Excess of warrants issued over bank balance	\$ 172	\$ -	\$ 172
Accounts payable	-	2,387	2,387
Salaries and benefits payable	4,682	-	4,682
Deferred revenue	-	3,785	3,785
Total Liabilities	\$ 4,854	\$ 6,172	\$ 11,026
Net Assets			
Invested in capital assets, net of related debt	\$ 1,616	\$ 6,280	\$ 7,896
Unrestricted	-4,854	29,196	24,342
Total Net Assets	\$ -3,238	\$ 35,476	\$ 32,238

See notes to financial statements.

Gladbrook-Reinbeck Community School District

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

June 30, 2005

	Swimming Pool	School Nutrition	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 6,291	\$ 173,539	\$ 179,830
Contributions	1,100	-	1,100
Total operating revenues	\$ 7,391	\$ 173,539	\$ 180,930
Operating expenses:			
Support services:			
Community services:			
Pool operations:			
Salaries	\$ 12,585	\$ -	\$ 12,585
Benefits	1,008	-	1,008
Purchased services	610	-	610
Supplies	624	-	624
Depreciation	147	-	147
Total support services	\$ 14,974	\$ -	\$ 14,974
Non-instructional programs:			
Food service operations:			
Salaries	\$ -	\$ 88,654	\$ 88,654
Benefits	-	11,390	11,390
Purchased services	-	105	105
Supplies	-	159,791	159,791
Depreciation	-	1,883	1,883
Total non-instructional programs	\$ -	\$ 261,823	\$ 261,823
Total operating expenses	\$ 14,974	\$ 261,823	\$ 276,797
Operating loss	\$ -7,583	\$ -88,284	\$ -95,867
Non-operating revenues:			
State sources	\$ -	\$ 4,103	\$ 4,103
Federal sources	-	88,043	88,043
Interest income	-	147	147
Total non-operating revenues	\$ -	\$ 92,293	\$ 92,293
Net income (loss)	\$ -7,583	\$ 4,009	\$ -3,574
Other financing sources:			
Operating transfer in	10,000	-	10,000
Change in net assets	\$ 2,417	\$ 4,009	\$ 6,426
Net assets beginning of year	-5,655	31,467	25,812
Net Assets End of Year	\$ -3,238	\$ 35,476	\$ 32,238

See notes to financial statements.

Gladbrook-Reinbeck Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 173,285
Cash paid to employees for services	-100,044
Cash paid to suppliers for goods or services	-142,917
Net cash used by operating activities	<u>\$ -69,676</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 4,103
Federal grants received	72,653
Net cash provided by non-capital financing activities	<u>\$ 76,756</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 147</u>
Net increase in cash and cash equivalents	\$ 7,227
Cash and cash equivalents beginning of year	<u>23,483</u>
Cash and Cash Equivalents End of Year	<u>\$ 30,710</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -88,284
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	14,874
Depreciation	1,883
(Increase) in inventories	-282
Decrease in accounts receivable	192
Increase in accounts payable	2,387
(Decrease) in deferred revenue	-446
Net Cash Used by Operating Activities	<u>\$ -69,676</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$15,390 of federal commodities.

Gladbrook-Reinbeck Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2005

	Swimming Pool
Cash flows from operating activities:	
Cash received from services and contributions	\$ 7,391
Cash paid to employees for services	-13,893
Cash paid to suppliers for goods or services	-1,234
Net cash used by operating activities	<u>\$ -7,736</u>
Cash flows from capital and related financing activities:	
Transfer from General Fund	\$ 10,000
Acquisition of capital assets	-1,763
Net cash provided by capital and related financing activities	<u>\$ 8,237</u>
Net increase in cash and cash equivalents	\$ 501
Cash and cash equivalents beginning of year	<u>-673</u>
Cash and Cash Equivalents End of Year	<u>\$ -172</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -7,583
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	147
(Decrease) in salaries and benefits payable	<u>-300</u>
Net Cash Used by Operating Activities	<u>\$ -7,736</u>

See notes to financial statements.

Gladbrook-Reinbeck Community School District

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2005

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 53
Accounts receivable	<u>738</u>
Total Assets	<u>\$ 791</u>
Liabilities	
Accounts payable	\$ 53
Due to other fund	<u>738</u>
Total Liabilities	<u>\$ 791</u>
Net assets	
Reserved	<u>\$ -</u>

Gladbrook-Reinbeck Community School District

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

Gladbrook-Reinbeck 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 Gladbrook and Reinbeck, Iowa and portions of the predominately agricultural territories in Black Hawk, Marshall, Tama and Grundy 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, Gladbrook-Reinbeck 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. Gladbrook-Reinbeck Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 non-fiduciary 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 are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, 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 non-major 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 Management Fund is used to account for all resources derived from special sources which are required by law or regulation to be accounted for in a separate fund.

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

The Physical Plant and Equipment Levy Fund is used to account for all resources used in the acquisition of building repairs and maintenance and equipment purchases.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Swimming Pool Fund. These funds are used to account for the food service operations of the District and the pool operations of the District.

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

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

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 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 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 funds of the District apply 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.

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 activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 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 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. Budgets and Budgetary Accounting

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

(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.

(3) **Due From and Due to Other Funds**

The detail of inter-fund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
Agency Fund	General Fund	\$ 738

The Agency Fund owes the General Fund for expenses paid under a grant. The balance will be repaid when the grant money is received.

(4) **Inter-fund Transfers**

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

Transfer to	Transfer from	Amount
Enterprise Fund	General Fund	
Swimming pool		\$ 10,000
Capital Projects	Physical Plant and Equipment Levy	913,510
Debt Service	Physical Plant and Equipment Levy	109,976
		<u>\$ 1,033,486</u>

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	Adjustments	Balance End Of Year
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 37,965	\$ -	\$ -	\$ -	\$ 37,965
Construction in process	-	782,571	-	-	782,571
Total capital assets not being depreciated	\$ 37,965	\$ 782,571	\$ -	\$ -	\$ 820,536
Capital assets being depreciated:					
Buildings	\$ 2,698,330	\$ 179,352	\$ -	\$ -143,693	\$ 2,733,989
Improvements other than buildings	324,079	1,636	-	70,424	396,139
Furniture and equipment	3,008,671	136,744	68,810	-266,053	2,810,552
Total capital assets being depreciated	\$ 6,031,080	\$ 317,732	\$ 68,810	\$ -339,322	\$ 5,940,680
Less accumulated depreciation for:					
Buildings	\$ 2,016,396	\$ 117,121	\$ -	\$ -2,481	\$ 2,131,036
Improvements other than buildings	310,977	37,795	-	4,751	353,523
Furniture and equipment	2,754,711	109,145	68,810	-203,647	2,591,399
Total accumulated depreciation	\$ 5,082,084	\$ 264,061	\$ 68,810	\$ -201,377	\$ 5,075,958
Total capital assets being depreciated, net	\$ 948,996	\$ 53,671	\$ -	\$ -137,945	\$ 864,722
Governmental Activities Capital Assets, Net	\$ 986,961	\$ 836,242	\$ -	\$ -137,945	\$ 1,685,258
Business type activities:					
Nutrition Fund:					
Furniture and equipment	\$ 23,902	\$ -	\$ -	\$ -	\$ 23,902
Less accumulated depreciation	15,739	1,883	-	-	17,622
	\$ 8,163	\$ -1,883	\$ -	\$ -	\$ 6,280
Swimming Pool:					
Furniture and equipment	\$ 1,763	\$ -	\$ -	\$ -	\$ 1,763
Less accumulated depreciation	-	147	-	-	147
	\$ 1,763	\$ -147	\$ -	\$ -	\$ 1,616
Business Type Activities Capital Assets, Net	\$ 9,926	\$ -2,030	\$ -	\$ -	\$ 7,896

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 157,697
Special	-
Other	6,260

Support services:

Administration	3,925
Operation and maintenance of plant	4,272
Transportation	91,807

Non-instructional

100

Total Depreciation Expense – Governmental Activities

\$ 264,061

Business Type Activities:

Food service operations	<u>\$ 1,883</u>
Swimming pool operations	<u>\$ 147</u>

(6) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Capital note	\$ -	\$ 930,000	\$ 80,000	\$ 850,000	\$ 85,000
Early retirement	24,201	-	16,629	7,572	1,630
Compensated absences	34,951	3,217	2,475	35,693	35,951
Total	<u>\$ 59,152</u>	<u>\$ 933,217</u>	<u>\$ 99,104</u>	<u>\$ 893,265</u>	<u>\$ 122,581</u>

Details of the District's June 30, 2005 capital note indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest
2006	2.4%	\$ 85,000	\$ 20,400
2007	2.9%	85,000	22,185
2008	3.2%	85,000	21,760
2009	3.4%	90,000	20,230
2010	3.7%	95,000	18,685
2011	3.9%	95,000	15,990
2012	4.1%	100,000	12,915
2013	4.2%	105,000	9,030
2014	4.3%	110,000	4,730
		<u>\$ 850,000</u>	<u>\$ 145,925</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 fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. Early retirement expenditures for the year ended June 30, 2005 totaled \$16,629.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$186,019, \$185,650, and \$184,408, respectively, equal to the required contributions for each year.

(8) Risk Management

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

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium for the 2004-2005 and 2005-2006 plan years. The deficit recovery is equal to 2% of the annual premium. The total amount of the deficit recoveries of current members is estimated to be \$2.2 million. The District's share of this assessment was \$10,976, of which \$0 was paid with the 2004-2005 premiums and \$10,976 is a liability as of June 30, 2005 and will be paid with the 2005-2006 premiums. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, 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, 2005 were \$504,880.

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.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$235,863 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.

(10) Deficit Fund Equity

The Enterprise, Swimming Pool Fund has a deficit unreserved net assets balance of \$3,238 at June 30, 2005.

The General Fund has a deficit unreserved fund balance of \$48,440 at June 30, 2005.

Required Supplementary Information

Gladbrook-Reinbeck Community School District

**Budgetary Comparison Schedule 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, 2005

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 3,052,930	\$ 180,823
Intermediate sources	-	-
State sources	3,355,179	4,103
Federal sources	189,915	72,653
Total Receipts	<u>\$ 6,598,024</u>	<u>\$ 257,579</u>
Disbursements:		
Instruction	\$ 4,169,057	\$ -
Support services	1,962,724	16,890
Non-instructional programs	36,512	242,961
Other expenditures	1,284,023	-
Total Disbursements	<u>\$ 7,452,316</u>	<u>\$ 259,851</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -854,292	\$ -2,272
Other financing sources, net	920,000	10,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 65,708	\$ 7,728
Balances beginning of year	962,332	22,810
Balances End of Year	<u>\$ 1,028,040</u>	<u>\$ 30,538</u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
\$ 3,233,753	\$ 3,385,437	\$ 3,385,437	\$ -151,684
-	-	-	-
3,359,282	3,501,585	3,501,585	-142,303
262,568	220,000	220,000	42,568
<u>\$ 6,855,603</u>	<u>\$ 7,107,022</u>	<u>\$ 7,107,022</u>	<u>\$ -251,419</u>
\$ 4,169,057	\$ 4,251,400	\$ 4,251,400	\$ 82,343
1,979,614	2,299,775	2,149,775	170,161
279,473	327,500	327,500	48,027
1,284,023	1,506,105	1,656,105	372,082
<u>\$ 7,712,167</u>	<u>\$ 8,384,780</u>	<u>\$ 8,384,780</u>	<u>\$ 672,613</u>
\$ -856,564	\$ -1,277,758	\$ -1,277,758	\$ 421,194
930,000	1,140,000	1,140,000	-210,000
\$ 73,436	\$ -137,758	\$ -137,758	\$ 211,194
985,142	702,751	702,751	282,391
<u>\$ 1,058,578</u>	<u>\$ 564,993</u>	<u>\$ 564,993</u>	<u>\$ 493,585</u>

Gladbrook-Reinbeck Community School District

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year Ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 6,598,024	\$ 192,347	\$ 6,790,371
Expenditures	7,452,316	95,088	7,547,404
Net	\$ -854,292	\$ 97,259	\$ -757,033
Other financing sources, net	920,000	-3,720	916,280
Beginning fund balances	962,332	-439,703	522,629
Ending Fund Balances	\$ 1,028,040	\$ -346,164	\$ 681,876
	Proprietary Funds		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 257,579	\$ 15,644	\$ 273,223
Expenses	259,851	16,946	276,797
Net	\$ -2,272	\$ -1,302	\$ -3,574
Other financing sources, net	10,000	-	10,000
Beginning net assets	22,810	3,002	25,812
Ending Net Assets	\$ 30,538	\$ 1,700	\$ 32,238

Gladbrook-Reinbeck 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 Standards 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.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides 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.

Other Supplementary Information

Gladbrook-Reinbeck Community School District

Combining Balance Sheet
Non-Major Special Revenue Funds

June 30, 2005

	<u>Student Activity</u>
Assets	
Cash and pooled investments	\$ 76,370
Receivables:	
Accounts	1,997
Accrued interest	<u>34</u>
Total Assets	<u>\$ 78,401</u>
Liabilities & Fund Equity	
Liabilities:	
Accounts payable	\$ 1,190
Fund Equity:	
Unreserved fund balances	<u>77,211</u>
Total Liabilities and Fund Equity	<u>\$ 78,401</u>

See accompanying independent auditor's report.

Gladbrook-Reinbeck Community School District

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Special Revenue Funds

Year Ended June 30, 2005

	Student Activity	Debt Service	Total
Revenues:			
Local Sources:			
Other	\$ 158,634	\$ -	\$ 158,634
Total Revenues	\$ 158,634	\$ -	\$ 158,634
Expenditures:			
Current:			
Instruction:			
Other instruction	\$ 161,716	\$ -	\$ 161,716
Other Expenditures:			
Long-term debt:			
Principal		80,000	80,000
Interest and fiscal charges	-	29,976	29,976
Total Expenditures	\$ 161,716	\$ 109,976	\$ 271,692
Excess (deficiency) of revenues over (under) expenditures	\$ -3,082	\$ -109,976	\$ -113,058
Other financing sources (uses):			
Operating transfers in	-	109,976	109,976
Net change in fund balances	\$ -3,082	\$ -	\$ -3,082
Fund balances beginning of year	80,293	-	80,293
Fund Balances End of Year	\$ 77,211	\$ -	\$ 77,211

Gladbrook-Reinbeck 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 Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Drama	\$ 8,592	\$ 2,688	\$ 4,513	\$ -	\$ 6,767
Vocal music	1,683	1,105	1,217	-	1,571
High School music fundraiser	2,284	1,944	1,236	-	2,992
Instrumental music	3,639	1,230	2,214	-	2,655
Band fundraisers	1,533	2,044	1,083	-	2,494
General athletics	5,750	6,354	11,833	-	271
Cross Country	-	498	498	-	-
Golf	-	157	157	-	-
Boys basketball	-	3,381	3,381	-	-
Girls basketball fundraiser	-	771	33	-	738
Boys basketball fundraiser	948	-	-	-	948
Football	-	11,766	11,766	-	-
Soccer	-	2,702	2,702	-	-
Baseball	-	1,178	1,178	-	-
Boys track	-	444	444	-	-
Wrestling	-	3,542	3,542	-	-
Girls basketball	-	3,608	3,608	-	-
Volleyball	-	2,724	2,724	-	-
Softball	-	2,545	2,545	-	-
Girls track	-	1,313	1,313	-	-
Activity tickets	5,448	15,736	15,771	-	5,413
Athletic resale	756	1,568	2,193	-	131
Cheerleaders	2	3,947	3,949	-	-
Class of 2004	315	-	315	-	-
Class of 2005	5,008	3,275	7,647	-	636
Class of 2006	804	15,429	9,172	-	7,061
Class of 2007	605	1,291	213	-	1,683
Class of 2008	-	1,364	-	-	1,364
FFA	244	16,917	14,594	-	2,567
FHA	518	-	518	-	-
Foreign Friends	299	78	246	-	131
Peer Helper	226	717	676	-	267
Interest from investments	6,420	755	3,361	-	3,814
National Honor Society	318	-	132	-	186
Resale	15	663	663	-	15
Renovation Club	341	-	-	-	341
Student Council-High School	5,306	13,221	13,774	-	4,753
SADD	2,091	-565	239	-	1,287
Yearbook	-	8,042	8,042	-	-
Art Club	-	2,761	2,332	-	429

Gladbrook-Reinbeck 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 Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Elementary Student Council:					
Reinbeck	\$ 225	\$ 1,348	\$ 1,468	\$ -	\$ 105
Gladbrook	1,048	95	497	-	646
Middle School:					
Activities	10,091	13,513	9,307	-	14,297
Gifts and donations	30	-	-	-	30
Pictures	6,777	-	3,317	-	3,460
Special events	324	-	-	-	324
Student Council	8,276	7,590	6,883	-	8,983
SADD	377	895	420	-	852
Total	\$ 80,293	\$ 158,634	\$ 161,716	\$ -	\$ 77,211

Gladbrook-Reinbeck Community School District
Schedule of Changes in Fiduciary Assets and Liabilities –
Agency Fund

Year Ended June 30, 2005

	Balance Beginning Of Year	Additions	Deductions	Balance End Of Year
Assets				
Cash	\$ 10	\$ 8,927	\$ 8,884	\$ 53
Accounts receivable	346	738	346	738
Total Assets	\$ 356	\$ 9,665	\$ 9,230	\$ 791
Liabilities				
Accounts payable	\$ 10	\$ 8,927	\$ 8,884	\$ 53
Due to other fund	346	738	346	738
Total Liabilities	\$ 356	\$ 9,665	\$ 9,230	\$ 791

Gladbrook-Reinbeck Community School District

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

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
Revenues:				
Local Sources:				
Local tax	\$ 2,443,168	\$ 2,370,297	\$ 2,366,030	\$ 2,218,328
Tuition	78,384	41,013	40,974	39,399
Other	730,214	383,198	344,367	309,971
Intermediate sources	-	-	-	-
State sources	3,352,753	3,168,920	3,137,564	3,056,962
Federal sources	185,852	165,724	129,369	202,605
Total	\$ 6,790,371	\$ 6,129,152	\$ 6,018,304	\$ 5,827,265
Expenditures:				
Instruction:				
Regular instruction	\$ 2,706,963	\$ 2,641,798	\$ 2,689,332	\$ 2,715,574
Special instruction	768,160	753,106	675,495	649,887
Other instruction	610,450	563,866	543,622	513,266
Support services:				
Student services	141,722	141,964	149,115	141,944
Instructional staff services	248,330	178,931	168,311	170,463
Administrative services	637,462	596,304	576,612	557,673
Operation and maintenance of plant services	637,242	574,196	606,775	522,760
Transportation services	402,708	375,124	354,533	335,780
Community services	869	2,812	468	472
Non-instructional programs	35,291	30,183	23,112	21,479
Other expenditures:				
Facilities acquisition	1,012,368	109,726	36,841	71,433
Long-term debt:				
Principal	80,000	-	-	-
Interest and fiscal charges	29,976	-	-	-
AEA flow-through	235,863	238,663	247,264	257,050
Total	\$ 7,547,404	\$ 6,206,673	\$ 6,071,480	\$ 5,957,781

**Independent Auditor's Report 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**

Independent Auditor's Report 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
Gladbrook-Reinbeck Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Gladbrook-Reinbeck 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 my report thereon dated September 7, 2005. I conducted my 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 my audit, I considered Gladbrook-Reinbeck Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect 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 reportable 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. My 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, I believe item I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gladbrook-Reinbeck Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters 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 my audit of the financial statements of the District. Since my 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Gladbrook-Reinbeck Community School District and other parties to whom Gladbrook-Reinbeck 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.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Gladbrook-Reinbeck Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.


Keith Oltrogge
Certified Public Accountant

September 7, 2005

Gladbrook-Reinbeck Community School District

Schedule of Findings

Year Ended June 30, 2005

Part I – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion – Response accepted.

Gladbrook-Reinbeck Community School District

Schedule of Findings

Year Ended June 30, 2005

Part II - Other Findings Related to Statutory Reporting:

II-A-05 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget - Disbursements for the year ended June 30, 2005 did not exceed the amounts budgeted.

II-C-05 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-D-05 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-05 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mike Bearden, Board Member Owner of Bearden's	Supplies/Shipping	\$36
Turfmaster Owned by Jeff Charley, Employee	Maintenance	\$19,174
Donna Cooley Mother of Board Member	Catering	\$1,224
Norm Beu, Employee	Services	\$5
Cooley Pumping Brother of Board Member	Services	\$360
Dinsdale Construction Owned by Kirk Dinsdale, Employee	Services	\$7,850
K & L Collections Co-owned by Kirk Dinsdale, Employee	Services	\$3,994

In accordance with an Attorney General's opinion dated November 9, 1976, the above transactions do not appear to represent a conflict of interest.

II-F-05 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 the coverage is adequate for current operations.

II-G-05 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

II-H-05 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

- II-I-05 Deposits and Investments – 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 were noted.
- II-J-05 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely and I noted no significant deficiencies in the amounts reported.
- II-K-05 Financial Condition – The Enterprise, Swimming Pool Fund had a deficit net assets balance of \$3,238 at June 30, 2005. The General Fund had a deficit fund balance of \$48,440 at June 30, 2005.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return the District to a sound financial condition.

Response – We are working on this.

Conclusion – Response accepted.