

GLENWOOD 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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Glenwood Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2004 election)</b>		
Bill Agan	President	2006
Linda Young	Vice President	2005
Marland Gammon	Board Member	2004
Nancy Krogstad	Board Member	2005
Frank Overhue	Board Member	2006
<b>Board of Education (After September 2004 election)</b>		
Bill Agan	President	2006
Linda Young	Vice President	2005
Theresa Romens	Board Member	2007
Frank Overhue	Board Member	2006
Nancy Krogstad	Board Member	2005
<b>School Officials</b>		
Dewitt Sibley	Superintendent	2005
Judy Picker	District Secretary/Treasurer and Business Manager	2005
Rick Franck	Attorney	2005

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Glenwood 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 the Glenwood Community School District, Glenwood, Iowa as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 opinions.

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 the Glenwood Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated October 11, 2005 on our consideration of the Glenwood Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports are 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. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 15 and 38 through 41 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Glenwood Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC  
NOLTE, CORNMAN & JOHNSON, P.C.

October 11, 2005

**GLENWOOD COMMUNITY SCHOOL DISTRICT**  
**Management Discussion and Analysis**  
**for the Fiscal Year Ended June 30, 2005**

The discussion and analysis of Glenwood Community School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Financial Highlights**

- This was the final year of a three-year decrease in funding of \$28,576 for an error or miscount of nineteen (19) students on the certified count.
- The General Fund ending fund balance increased from \$2,626,569 in fiscal year 2004 to \$2,902,189 in fiscal year 2005.
- Set cash reserve levy at \$385,000 to help with cash flow purposes.
- Had the Local Sales and Services Tax for school infrastructure projects in place for 6 months
- Added an extra fourth grade classroom, our teacher to student ratio stayed lower than previous years.
- With 3<sup>rd</sup> and 4<sup>th</sup> grade professional development time focused on reading and math, 4<sup>th</sup> grade achievement scored increased in both curriculum areas.
- The Board approved \$47,000 to be used for Professional Development for the school year.
- Improvements at the high school included re-keying the doors, a new CAD lab, and completed the air conditioning project. An improved security system was installed at the middle school.
- The Board approved the hiring of a professional grant writer.

**Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different view of the district:

- The first two statements are district-wide financial statements that provide both Short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

- Proprietary funds statements offer short and long term financial information about the activities the District operates like businesses, such as food service and day care.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

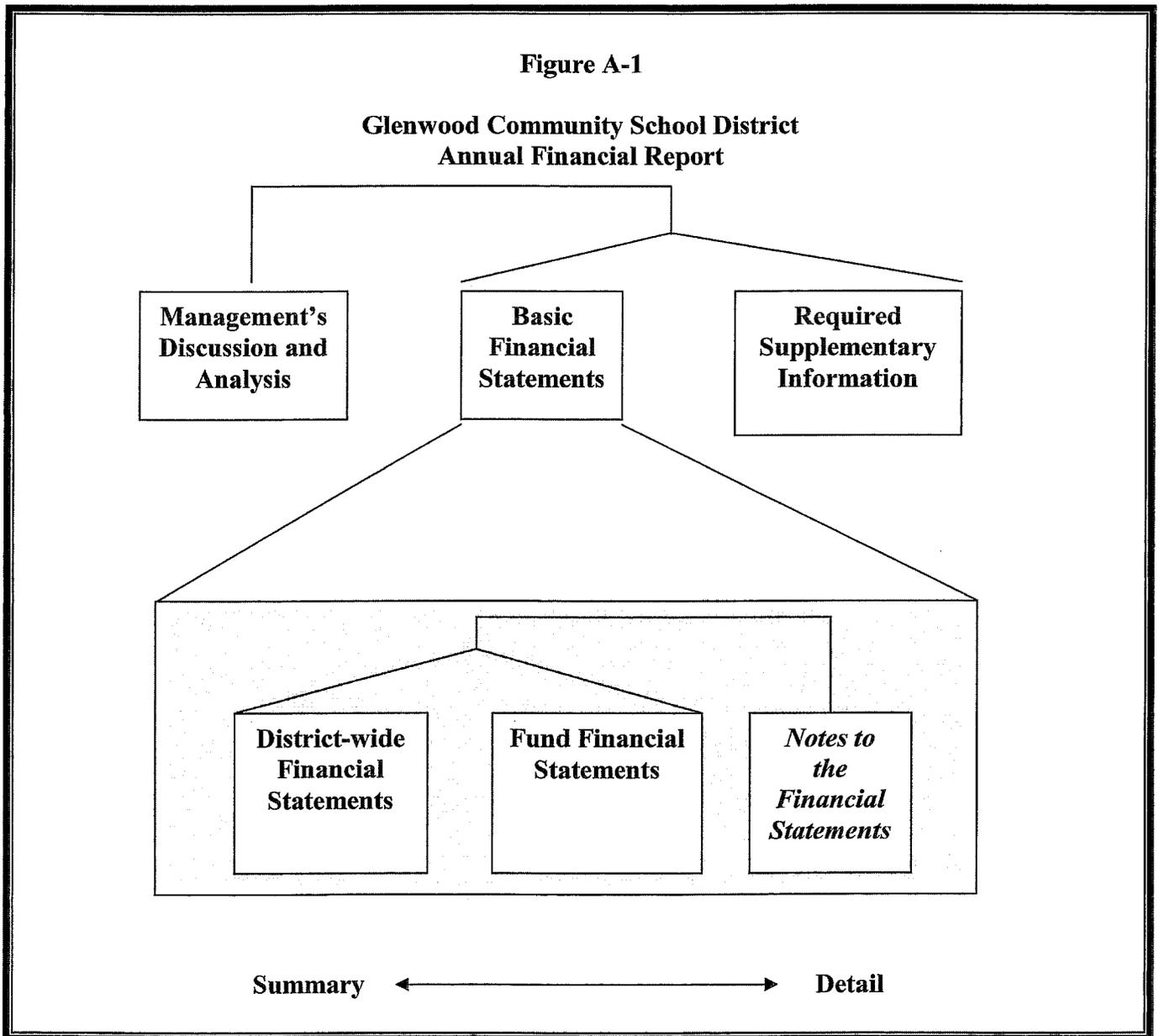


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents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

**Figure A-2  
Major Features of the District-Wide and Fund Financial Statements**

	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Propriety 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 and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability 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	All assets and liabilities, both short-term and long-term’ funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

### **District-wide Financial Statements**

The District-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 District-wide statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- 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 District-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 areas.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's food service programs and day care 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 repaying 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. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide

statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District's internal service fund is the same as its governmental activities and is charged back to the governmental funds in the entity-wide statements.

- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

### The School District as a Whole

*Net assets.* The District's combined net assets were as follows:

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 11,863,603	10,689,763	323,417	214,831	12,187,020	10,904,594	10.52%
Capital assets	11,962,984	11,817,359	102,701	113,803	12,065,685	11,931,162	1.11%
Total assets	<u>23,826,587</u>	<u>22,507,122</u>	<u>426,118</u>	<u>328,634</u>	<u>24,252,705</u>	<u>22,835,756</u>	<u>5.84%</u>
Long-term obligations	4,677,731	5,388,956	0	0	4,677,731	5,388,956	-15.20%
Other liabilities	7,314,382	7,141,988	11,960	10,801	7,326,342	7,152,789	2.37%
Total liabilities	<u>11,992,113</u>	<u>12,530,944</u>	<u>11,960</u>	<u>10,801</u>	<u>12,004,073</u>	<u>12,541,745</u>	<u>-4.48%</u>
Net assets:							
Invested in capital assets, net of related debt	8,227,085	6,477,359	102,701	113,803	8,329,786	6,591,162	20.87%
Restricted	1,554,668	1,233,684	0	0	1,554,668	1,233,684	20.65%
Unrestricted	2,052,721	2,265,135	311,457	204,030	2,364,178	2,469,165	-4.44%
Total net assets	<u>\$ 11,834,474</u>	<u>9,976,178</u>	<u>414,158</u>	<u>317,833</u>	<u>12,248,632</u>	<u>10,294,011</u>	<u>15.96%</u>

The District's improved financial position is the product of many factors. Growth during the year in taxes and grants resulted in an increase in revenues. This increase in revenues was balanced by the District's efforts to control expenditures to avoid having to use carryover fund balance to meet its financial obligations during the year.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for services	\$ 1,763,963	2,000,401	823,408	769,134	2,587,371	2,769,535	-6.58%
Operating grants and contributions and restricted interest	1,923,353	1,499,461	534,014	476,520	2,457,367	1,975,981	24.36%
Capital grants and contributions and restricted interest	315,995	435,383	0	0	315,995	435,383	-27.42%
<b>General revenues:</b>							
Property tax	5,694,369	5,803,932	0	0	5,694,369	5,803,932	-1.89%
Local option sales and services tax	995,438	138,757	0	0	995,438	138,757	617.40%
Unrestricted state grants	7,449,175	7,052,767	0	0	7,449,175	7,052,767	5.62%
Other	52,565	21,455	1,689	1,190	54,254	22,645	139.58%
<b>Total revenues</b>	<b>18,194,858</b>	<b>16,952,156</b>	<b>1,359,111</b>	<b>1,246,844</b>	<b>19,553,969</b>	<b>15,429,465</b>	<b>26.73%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instructional	10,608,136	9,735,983	0	0	10,608,136	9,735,983	8.96%
Support services	4,366,163	4,525,040	0	0	4,366,163	4,525,040	-3.51%
Non-instructional programs	255	3,594	1,253,863	1,191,393	1,254,118	1,194,987	4.95%
Other expenses	1,362,008	1,060,900	0	0	1,362,008	1,060,900	28.38%
<b>Total expenses</b>	<b>16,336,562</b>	<b>15,325,517</b>	<b>1,253,863</b>	<b>1,191,393</b>	<b>17,590,425</b>	<b>16,516,910</b>	<b>6.50%</b>
Net income(loss) before other financing uses	1,858,296	1,626,639	105,248	55,451	1,963,544	(1,087,445)	280.56%
Other financing uses	0	0	(8,923)	0	(8,923)	0	-100.00%
Changes in net assets	1,858,296	1,626,639	96,325	55,451	1,954,621	(1,087,445)	279.74%
Beginning net assets	9,976,178	8,349,539	317,833	262,382	10,294,011	8,611,921	19.53%
<b>Ending net assets</b>	<b>\$ 11,834,474</b>	<b>9,976,178</b>	<b>414,158</b>	<b>317,833</b>	<b>12,248,632</b>	<b>7,524,476</b>	<b>62.78%</b>

Figure A-5

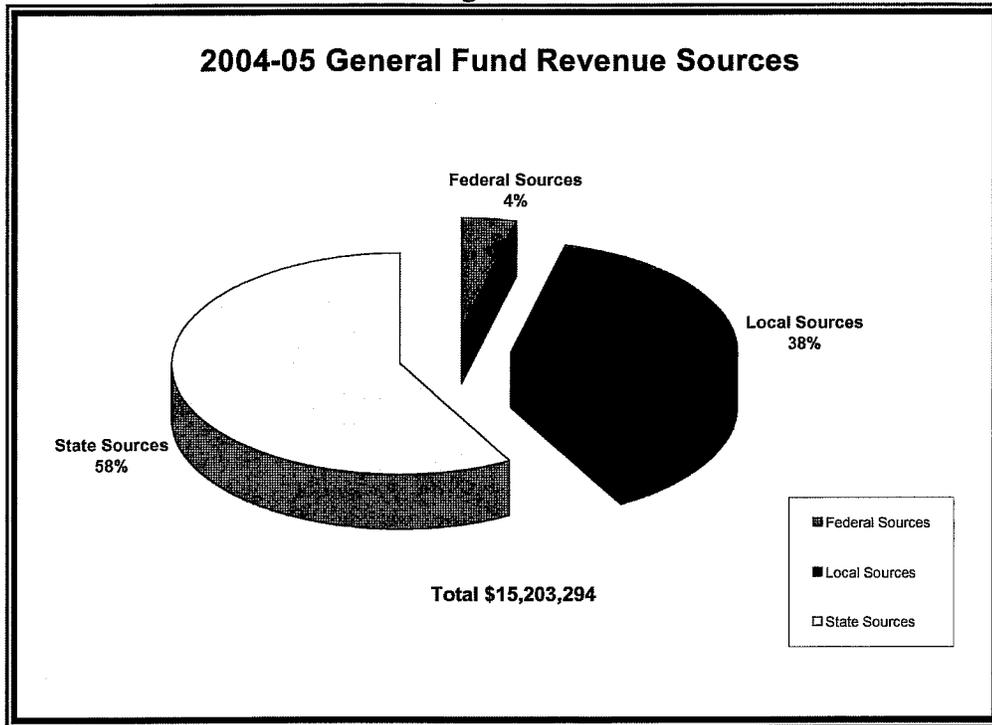
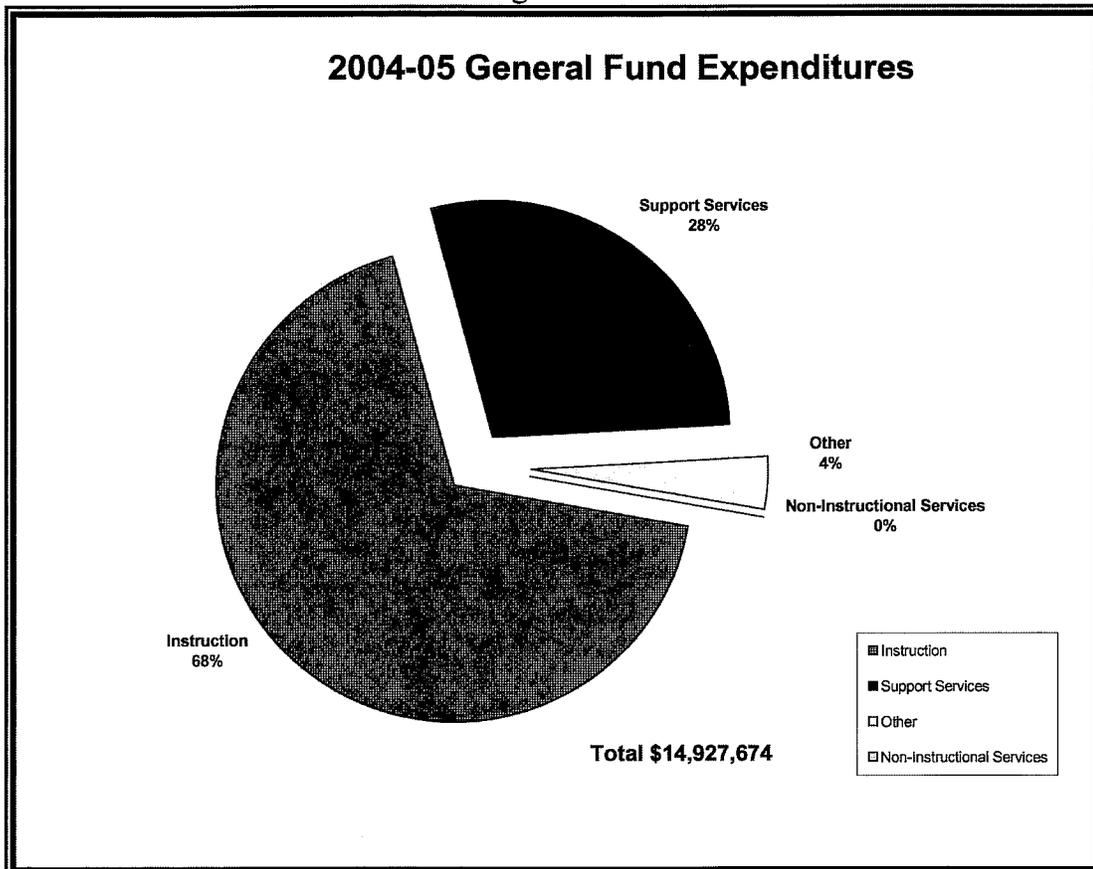


Figure A-6



## Governmental Activities

Revenues for governmental activities were \$18,194,858 while expenses amounted to \$16,336,562.

Figure A-7 presents the total cost and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 10,608,136	7,561,153
Support services	4,366,163	4,277,644
Non-instructional programs	255	255
Other expenses	1,362,008	494,199
Totals	<u>\$ 16,336,562</u>	<u>12,333,251</u>

The cost financed by users of the District programs was \$1,763,963.

Federal and state governments subsidized certain programs with grants and contributions totaling \$2,239,348.

The net cost of governmental activities was financed with \$5,694,369 in property tax, \$995,438 in local option sales and services tax, \$7,449,175 in state foundation aid and \$52,565 in interest income.

## Business-Type Activities

Revenues of the District's business-type activities increased from \$1,246,844 to \$1,359,111 while expenses increased also from \$1,191,393 to \$1,253,863. The District's business-type activities include the School Nutrition Fund and Day Care. Revenues of these activities were comprised of charges for services, federal and state reimbursements, grants and investment income.

During the year ended June 30, 2005, the Day Care received a \$10,000 West Central Development Grant for expansion and an Infant Care Incentive Grant to help with the cost of salaries in the under two years old rooms which resulted in ending the year on a positive note.

### **Financial Analysis of the District's Funds**

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

The strong financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,578,564 an increase of \$993,949 above last year's ending fund balances of \$3,584,615. The primary reason for the increase in combined fund balances in fiscal 2005 was due to the trimming of expenses and the Local Option Sales Tax revenue.

#### **Governmental Fund Highlights**

- The General Fund balance increased from \$2,626,569 to \$2,902,189 due in part to the great effort in trimming the expenditures and levying for cash reserve amount of \$385,000 for cash flow purposes.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$281,839 to \$252,991 due to using PPEL funds as matching funds for the high school air conditioning project which was over a two year period.
- The Capital Projects Fund balance increased from \$138,833 to \$833,412 because of the Local Option Sales Tax revenue.

#### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$264,540 in fiscal 2004 to \$329,478 in fiscal 2005, representing an increase of approximately 24 percent. The District joined the Iowa Consortium for purchasing food supplies which helped with the savings increase.

Kids Place also received two new grants for its day care program, which resulted in an increase in increased revenue and net assets.

### **Budgetary Highlights**

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 its 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.

### **General Fund Budgetary Highlights**

- The District's General Fund actual revenues and related instruction expenditures vary from the adopted budget because the District uses the procedure of adopting the maximum authorized budget and pertains to the General Fund of the district. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.
- The District's General Fund total actual receipts were \$189,943 less than the total budgeted receipts. In conjunction with the Districts budgeting practice the most significant change resulted in the District not receiving certain state grants.
- The School District uses a site-based budget. The budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.
- General Fund revenues and other financing sources were more than expenditures and other financing uses by approximately \$275,670. The solvency ratio position of the School District is 10.24% which is within the targeted solvency position recommended by the state of 5% to 10%.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

By the end of fiscal 2005, the District had invested \$12,065,685, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, equipment and transportation equipment. This amount represents an increase from last year. Depreciation expense for the year was \$479,876.

The original cost of the District's capital assets was \$17.8 million. Governmental funds account for \$17.5 million with the remainder of \$ .3 million in the Proprietary, School Nutrition Fund and Day Care.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total Change
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
Land	\$ 206,266	206,266	0	0	206,266	206,266	0.00%
Construction in progress	0	658,130	0	0	0	658,130	-100.00%
Buildings	11,165,042	10,330,840	0	0	11,165,042	10,330,840	7.47%
Land improvements	94,248	104,484	0	0	94,248	104,484	-10.86%
Machinery and equipment	497,428	517,639	102,701	113,803	600,129	631,442	-5.22%
Total	\$ 11,962,984	11,817,359	102,701	113,803	12,065,685	11,931,162	1.11%

### Long-Term Debt

At year-end, the District had \$4,677,731 in general obligation debt and other long-term debt outstanding. This represents a decrease of approximately 13 percent from last year.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
General obligation bonds	\$ 3,725,000	4,185,000	-11.0%
Capital loan notes	885,000	1,155,000	-23.4%
Early retirement	36,597	21,788	68.0%
Compensated absences	31,134	27,168	14.6%
Totals	\$ 4,677,731	5,388,956	-13.2%

### Factors Bearing on the District's Future

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

- Salary and benefit settlements, with any employee group, exceeding the rate of growth of state funding will have an adverse impact upon the District's General Fund budget.
- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for education.
- Increased health insurance cost has had and will continue to impact the District.
- The number of open enrollment students leaving the district.
- The need to pass the Instructional Support Levy.

### **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 Judy Picker, District Secretary/Treasurer and Business Manager, Glenwood Community School District, 103 Central, Suite 300, Glenwood, Iowa 51534.

BASIC FINANCIAL STATEMENTS

GLENWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 4,120,114	246,447	4,366,561
Receivables:			
Property tax:			
Delinquent	129,150	0	129,150
Succeeding year	5,874,815	0	5,874,815
Accounts	14,500	6,959	21,459
Due from other governments	954,035	26,189	980,224
Inventories	770,989	43,822	814,811
Capital assets, net of accumulated depreciation(Note 4)	11,962,984	102,701	12,065,685
<b>TOTAL ASSETS</b>	<b>23,826,587</b>	<b>426,118</b>	<b>24,252,705</b>
<b>LIABILITIES</b>			
Accounts payable	65,765	2,031	67,796
Salaries and benefits payable	1,341,604	0	1,341,604
Accrued interest payable	32,198	0	32,198
Deferred revenue:			
Succeeding year property tax	5,874,815	0	5,874,815
Other	0	9,929	9,929
Long-term liabilities(Note 5):			
Portion due within one year:			
Bonds payable	470,000	0	470,000
Capital loan notes payable	285,000	0	285,000
Early retirement payable	36,597	0	36,597
Compensated absences payable	31,134	0	31,134
Portion due after one year:			
Bonds payable	3,255,000	0	3,255,000
Capital loan notes payable	600,000	0	600,000
<b>TOTAL LIABILITIES</b>	<b>11,992,113</b>	<b>11,960</b>	<b>12,004,073</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	8,227,085	102,701	8,329,786
Restricted for:			
Talented and gifted	20,964	0	20,964
Salary improvement program	1,971	0	1,971
Other	166,245	0	166,245
Management levy	357,699	0	357,699
Capital projects	833,412	0	833,412
Other special revenue purposes	174,377	0	174,377
Unrestricted	2,052,721	311,457	2,364,178
<b>TOTAL NET ASSETS</b>	<b>\$ 11,834,474</b>	<b>414,158</b>	<b>12,248,632</b>

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005

	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs</b>				
<b>Governmental activities:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 6,163,181	262,635	1,268,284	0
Special instruction	2,677,056	957,387	97,368	0
Other instruction	1,767,899	457,909	3,400	0
	<u>10,608,136</u>	<u>1,677,931</u>	<u>1,369,052</u>	<u>0</u>
<b>Support services:</b>				
Student services	253,399	0	0	0
Instructional staff services	473,686	0	0	0
Administration services	1,498,223	0	0	0
Operation and maintenance of plant services	1,296,510	0	0	0
Transportation services	844,345	86,032	2,487	0
	<u>4,366,163</u>	<u>86,032</u>	<u>2,487</u>	<u>0</u>
<b>Non-instructional programs:</b>				
Food service operations	255	0	0	0
	<u>255</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Other expenditures:</b>				
Facilities acquisitions	291,898	0	0	315,995
Long-term debt interest	217,045	0	0	0
AEA flowthrough	551,814	0	551,814	0
Depreciation(unallocated)*	301,251	0	0	0
	<u>1,362,008</u>	<u>0</u>	<u>551,814</u>	<u>315,995</u>
<b>Total governmental activities</b>	<b>16,336,562</b>	<b>1,763,963</b>	<b>1,923,353</b>	<b>315,995</b>
<b>Business-Type activities:</b>				
<b>Non-instructional programs:</b>				
Nutrition services	802,569	522,361	352,638	0
Daycare services	451,294	301,047	181,376	0
<b>Total business-type activities</b>	<b>1,253,863</b>	<b>823,408</b>	<b>534,014</b>	<b>0</b>
<b>Total</b>	<b>\$ 17,590,425</b>	<b>2,587,371</b>	<b>2,457,367</b>	<b>315,995</b>

**General Revenues:**

Property tax levied for:  
  General purposes  
  Debt service  
  Capital outlay  
Local option sales and service tax  
Unrestricted state grants  
Unrestricted investment earnings

Total general revenues

Net income before other financing uses

Other financing uses:

  Loss on disposal of capital assets

Changes in net assets

Net assets beginning of year

Net assets end of year

\* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(4,632,262)	0	(4,632,262)
(1,622,301)	0	(1,622,301)
(1,306,590)	0	(1,306,590)
(7,561,153)	0	(7,561,153)
(253,399)	0	(253,399)
(473,686)	0	(473,686)
(1,498,223)	0	(1,498,223)
(1,296,510)	0	(1,296,510)
(755,826)	0	(755,826)
(4,277,644)	0	(4,277,644)
(255)	0	(255)
(255)	0	(255)
24,097	0	24,097
(217,045)	0	(217,045)
0	0	0
(301,251)	0	(301,251)
(494,199)	0	(494,199)
(12,333,251)	0	(12,333,251)
0	72,430	72,430
0	31,129	31,129
0	103,559	103,559
(12,333,251)	103,559	(12,229,692)
\$ 4,641,719	0	4,641,719
624,320	0	624,320
428,330	0	428,330
995,438	0	995,438
7,449,175	0	7,449,175
52,565	1,689	54,254
14,191,547	1,689	14,193,236
1,858,296	105,248	1,963,544
0	(8,923)	(8,923)
1,858,296	96,325	1,954,621
9,976,178	317,833	10,294,011
\$ 11,834,474	414,158	12,248,632

GLENWOOD COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 2,992,536	311,721	813,002	4,117,259
Receivables:				
Property tax				
Delinquent	97,848	0	31,302	129,150
Succeeding year	4,555,256	0	1,319,559	5,874,815
Accounts	14,500	0	0	14,500
Due from other governments	432,344	521,691	0	954,035
Inventories	770,989	0	0	770,989
<b>TOTAL ASSETS</b>	<b>\$ 8,863,473</b>	<b>833,412</b>	<b>2,163,863</b>	<b>11,860,748</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 64,424	0	1,341	65,765
Salaries and benefits payable	1,341,604	0	0	1,341,604
Deferred revenue:				
Succeeding year property tax	4,555,256	0	1,319,559	5,874,815
Total liabilities	5,961,284	0	1,320,900	7,282,184
Fund balances:				
Reserved for:				
Debt service	0	0	21,299	21,299
Inventories	770,989	0	0	770,989
Talented and gifted	20,964	0	0	20,964
Salary improvement program	1,971	0	0	1,971
Other	166,245	0	0	166,245
Unreserved:				
Designated for cash flow	385,000	0	0	385,000
Undesignated	1,557,020	833,412	821,664	3,212,096
Total fund balances	2,902,189	833,412	842,963	4,578,564
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,863,473</b>	<b>833,412</b>	<b>2,163,863</b>	<b>11,860,748</b>

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2005

<b>Total fund balances of governmental funds (page 19)</b>	\$	4,578,564
 <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 in the governmental funds.		11,962,984
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		2,855
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.		(32,198)
Long-term liabilities, including bonds payable, capital loan notes payable, early retirement payable, and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(4,677,731)</u>
<b>Net assets of governmental activities (page 16)</b>	<b>\$</b>	<b><u>11,834,474</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2005

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 4,395,529	995,438	1,298,840	6,689,807
Tuition	1,220,022	0	0	1,220,022
Other	219,575	540	379,791	599,906
Intermediate sources	3,340	0	0	3,340
State sources	8,793,937	0	960	8,794,897
Federal sources	570,891	315,995	0	886,886
Total revenues	<u>15,203,294</u>	<u>1,311,973</u>	<u>1,679,591</u>	<u>18,194,858</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	6,071,619	0	78,043	6,149,662
Special instruction	2,677,056	0	0	2,677,056
Other instruction	1,401,550	0	366,349	1,767,899
	<u>10,150,225</u>	<u>0</u>	<u>444,392</u>	<u>10,594,617</u>
Support services:				
Student services	253,499	0	0	253,499
Instructional staff services	470,012	0	0	470,012
Administration services	1,493,324	0	9,432	1,502,756
Operation and maintenance of plant services	1,217,347	0	78,873	1,296,220
Transportation services	791,260	0	29,866	821,126
	<u>4,225,442</u>	<u>0</u>	<u>118,171</u>	<u>4,343,613</u>
Non-instructional programs:				
Food service operations	193	0	0	193
	<u>193</u>	<u>0</u>	<u>0</u>	<u>193</u>
Other expenditures:				
Facilities acquisitions	0	617,394	141,591	758,985
Long-term debt:				
Principal	0	0	730,000	730,000
Interest and fiscal charges	0	0	221,687	221,687
AEA flowthrough	551,814	0	0	551,814
	<u>551,814</u>	<u>617,394</u>	<u>1,093,278</u>	<u>2,262,486</u>
Total expenditures	<u>14,927,674</u>	<u>617,394</u>	<u>1,655,841</u>	<u>17,200,909</u>
Excess of revenues over expenditures	275,620	694,579	23,750	993,949
Other financing sources(uses):				
Transfers in	0	0	317,628	317,628
Transfers out	0	0	(317,628)	(317,628)
Total other financing sources(uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	275,620	694,579	23,750	993,949
Fund balance beginning of year	2,626,569	138,833	819,213	3,584,615
Fund balance end of year	<u>\$ 2,902,189</u>	<u>833,412</u>	<u>842,963</u>	<u>4,578,564</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2005

<b>Net change in fund balances - total governmental funds (page 21)</b>	\$	993,949
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	\$ 611,482	
Depreciation expense	<u>(465,857)</u>	145,625
 Net change in Internal Service Funds charged back against expenditures made for the flex benefit program at an entity-wide basis.		
		2,855
 Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		
		730,000
 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.		
		4,642
 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.		
Early retirement	\$ (14,809)	
Compensated absences	<u>(3,966)</u>	(18,775)
 <b>Changes in net assets of governmental activities (page 18)</b>	 \$	 <u>1,858,296</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	School Nutrition	Day Care	Total	
	<b>ASSETS</b>			
Current assets:				
Cash and pooled investments	\$ 191,383	55,064	246,447	2,855
Receivables:				
Accounts	3,707	3,252	6,959	0
Due from other governments	17,250	8,939	26,189	0
Inventories	28,822	15,000	43,822	0
Total current assets	<u>241,162</u>	<u>82,255</u>	<u>323,417</u>	<u>2,855</u>
Non-current assets:				
Capital assets:				
Machinery and equipment, net of accumulated depreciation (Note 4)	98,625	4,076	102,701	0
Total non-current assets	<u>98,625</u>	<u>4,076</u>	<u>102,701</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<u><u>339,787</u></u>	<u><u>86,331</u></u>	<u><u>426,118</u></u>	<u><u>2,855</u></u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	380	1,651	2,031	0
Deferred revenue:				
Other	9,929	0	9,929	0
<b>TOTAL LIABILITIES</b>	<u>10,309</u>	<u>1,651</u>	<u>11,960</u>	<u>0</u>
<b>NET ASSETS</b>				
Investment in capital assets	98,625	4,076	102,701	0
Unrestricted	230,853	80,604	311,457	2,855
Total net assets	<u>\$ 329,478</u>	<u>84,680</u>	<u>414,158</u>	<u>2,855</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds			Governmental Activities -
	School Nutrition	Day Care	Total	Internal Service Fund
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 522,361	301,047	823,408	17,435
TOTAL OPERATING REVENUES	522,361	301,047	823,408	17,435
OPERATING EXPENSES:				
Non-instructional programs:				
Salaries	270,760	344,293	615,053	0
Benefits	42,484	58,295	100,779	14,580
Services	13,811	887	14,698	0
Supplies	462,125	44,408	506,533	0
Depreciation	13,389	630	14,019	0
Other	0	2,781	2,781	0
TOTAL OPERATING EXPENSES	802,569	451,294	1,253,863	14,580
OPERATING LOSS	(280,208)	(150,247)	(430,455)	2,855
NON-OPERATING REVENUES:				
State sources	9,338	0	9,338	0
Federal sources	343,300	181,376	524,676	0
Interest on investments	1,431	258	1,689	0
TOTAL NON-OPERATING REVENUES	354,069	181,634	535,703	0
Net income before other financing uses	73,861	31,387	105,248	2,855
Other financing uses:				
Loss on disposal of capital assets	(8,923)	0	(8,923)	0
Changes in net assets	64,938	31,387	96,325	2,855
Net assets beginning of year	264,540	53,293	317,833	0
Net assets end of year	\$ 329,478	84,680	414,158	2,855

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	School Nutrition	Day Care	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 514,861	0	514,861	0
Cash received from miscellaneous operating activities	2,524	302,087	304,611	17,435
Cash payments to employees for services	(313,244)	(402,588)	(715,832)	(14,580)
Cash payments to suppliers for goods or services	(442,905)	(46,425)	(489,330)	0
Net cash used in operating activities	(238,764)	(146,926)	(385,690)	2,855
Cash flows from non-capital financing activities:				
State grants received	9,338	0	9,338	0
Federal grants received	306,418	181,376	487,794	0
Net cash provided by non-capital financing activities	315,756	181,376	497,132	0
Cash flows from capital and related financing activities:				
Purchase of capital assets	(9,448)	(2,392)	(11,840)	0
Net cash used in capital and related financing activities	(9,448)	(2,392)	(11,840)	0
Cash flows from investing activities:				
Interest on investments	1,431	258	1,689	0
Net cash provided by investing activities	1,431	258	1,689	0
Net increase in cash and cash equivalents	68,975	32,316	101,291	2,855
Cash and cash equivalents at beginning of year	122,408	22,748	145,156	0
Cash and cash equivalents at end of year	\$ 191,383	55,064	246,447	2,855
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (280,208)	(150,247)	(430,455)	2,855
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities consumed	41,602	0	41,602	0
Depreciation	13,389	630	14,019	0
Increase in inventories	(10,953)	0	(10,953)	0
(Increase)Decrease in accounts receivable	(2,102)	1,040	(1,062)	0
Increase in accounts payable	380	1,651	2,031	0
Decrease in deferred revenue	(872)	0	(872)	0
Net cash used in operating activities	\$ (238,764)	(146,926)	(385,690)	2,855
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and pooled investments	\$ 191,383	55,064	246,447	2,855

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at \$41,602.

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005

	<u>Agency Fund</u>
ASSETS	
Cash and pooled investments	\$ 4,603
Total assets	<u>\$ 4,603</u>
LIABILITIES	
Due to other groups	\$ 4,603
Total liabilities	<u>\$ 4,603</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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

The Glenwood Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Glenwood, Iowa, and the predominate agricultural territory in Pottawattamie and Mills 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, Glenwood 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 Glenwood Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

**B. Basis of Presentation**

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The 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 and nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund, the Enterprise, Day Care Fund and the Internal Service Fund. The School Nutrition Fund is a major fund used to account for the food service operations of the District. The Day Care Fund is a nonmajor fund used to account for the child care operations of the District. The

Internal Service Fund is a nonmajor fund used to account for the flex benefit programs.

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 help by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result 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 terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these

pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

#### D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial

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

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

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 funds only if they have matured, for example, as a result of employee resignations or retirements. 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 Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

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

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 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.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 3,677,935</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

**(3) Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenues - Physical Plant and Equipment Levy	<u>\$ 317,628</u>

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

**(4) Capital Assets**

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business-type activities:				
Machinery and equipment	\$ 342,052	11,840	33,339	320,553
Less accumulated depreciation	228,249	14,019	24,416	217,852
Business-type activities capital assets, net	<u>\$ 113,803</u>	<u>(2,179)</u>	<u>8,923</u>	<u>102,701</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 206,266	0	0	206,266
Construction in progress	658,130	463,330	1,121,460	0
Total capital assets not being depreciated	864,396	463,330	1,121,460	206,266
Capital assets being depreciated:				
Buildings	13,541,430	1,121,460	0	14,662,890
Land improvements	264,816	3,757	0	268,573
Machinery and equipment	2,239,493	144,395	14,000	2,369,888
Total capital assets being depreciated	16,045,739	1,269,612	14,000	17,301,351
Less accumulated depreciation for:				
Buildings	3,210,590	287,258	0	3,497,848
Land improvements	160,332	13,993	0	174,325
Machinery and equipment	1,721,854	164,606	14,000	1,872,460
Total accumulated depreciation	5,092,776	465,857	14,000	5,544,633
Total capital assets being depreciated, net	10,952,963	803,755	0	11,756,718
Governmental activities capital assets, net	\$ 11,817,359	1,267,085	1,121,460	11,962,984

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 12,176
Support services:	
Instructional staff services	3,723
Administration	3,193
Operation and maintenance of plant services	9,824
Transportation	135,690
	164,606
Unallocated depreciation	301,251
Total governmental activities depreciation expense	\$ 465,857
Business-type activities:	
Food services	\$ 13,389
Day care	630
Total business-type activities depreciation expense	\$ 14,019

#### (5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 4,185,000	0	460,000	3,725,000	470,000
Capital Loan Notes	1,155,000	0	270,000	885,000	285,000
Early Retirement	21,788	36,597	21,788	36,597	36,597
Compensated Absences	27,168	31,134	27,168	31,134	31,134
<b>Total</b>	<b>\$ 5,388,956</b>	<b>67,731</b>	<b>778,956</b>	<b>4,677,731</b>	<b>822,731</b>

### Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 14, 1998			Bond Issue of October 1, 2002			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2006	4.40%	\$ 290,000	127,300	2.50%	\$ 180,000	30,020	470,000	157,320
2007	4.45	305,000	114,540	3.00	190,000	25,520	495,000	140,060
2008	4.50	320,000	100,968	3.10	195,000	19,820	515,000	120,788
2009	4.60	335,000	86,568	3.30	200,000	13,775	535,000	100,343
2010	4.65	350,000	71,158	3.50	205,000	7,175	555,000	78,333
2011	4.70	365,000	54,882	-	-	-	365,000	54,882
2012	4.75	385,000	37,728	-	-	-	385,000	37,728
2013	4.80	405,000	19,440	-	-	-	405,000	19,440
<b>Total</b>		<b>\$ 2,755,000</b>	<b>612,584</b>		<b>\$ 970,000</b>	<b>96,310</b>	<b>\$ 3,725,000</b>	<b>708,894</b>

### Capital Loan Notes

On April 14, 1999, the District issued \$2,565,000 of capital loan notes to finance additions to the Northeast Elementary Building. These notes were sold in March, 1999. Maturities and interest rates of notes outstanding at June 30, 2005 are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2006	4.40 %	\$ 285,000	35,868	320,868
2007	4.40	295,000	23,288	318,288
2008	4.45	305,000	10,198	315,198
<b>Total</b>		<b>\$ 885,000</b>	<b>69,354</b>	<b>954,354</b>

### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the difference between whatever teaching salary is received in the year in which the employee retires and the beginning BA salary upon leaving the employer multiplied by a percentage based on the employee's age. The cost of early

retirement benefits paid during the year ended June 30, 2005, totaled \$21,788.

**(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$567,209, \$544,140, and \$537,719 respectively, equal to the required contributions for each year.

**(7) 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 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 is undeterminable, of which \$23,611 was paid with the 2004-2005 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 \$1,180,540.

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw.

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.

**(8) 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 \$551,814 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.

REQUIRED SUPPLEMENTAL INFORMATION

GLENWOOD COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 8,164,404	821,161
Intermediate sources	3,340	0
State sources	8,814,997	9,339
Federal sources	944,602	529,397
Total receipts	<u>17,927,343</u>	<u>1,359,897</u>
Disbursements:		
Instruction	10,625,180	0
Support services	4,299,909	0
Non-instructional programs	0	1,258,606
Other expenditures	2,262,487	0
Total disbursements	<u>17,187,576</u>	<u>1,258,606</u>
Excess of receipts over disbursements	739,767	101,291
Balance beginning of year	<u>3,377,492</u>	<u>145,156</u>
Balance end of year	<u>\$ 4,117,259</u>	<u>246,447</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
8,985,565	8,741,663	8,741,663	243,902
3,340	0	0	3,340
8,824,336	9,631,520	9,631,520	(807,184)
1,473,999	1,104,000	1,104,000	369,999
19,287,240	19,477,183	19,477,183	(189,943)
10,625,180	12,605,713	12,605,713	1,980,533
4,299,909	4,793,071	4,793,071	493,162
1,258,606	1,562,884	1,562,884	304,278
2,262,487	3,294,854	3,294,854	1,032,367
18,446,182	22,256,522	22,256,522	3,810,340
841,058	(2,779,339)	(2,779,339)	3,620,397
3,522,648	2,793,807	2,793,807	728,841
4,363,706	14,468	14,468	4,349,238

GLENWOOD COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types		
	Cash Basis	Accrual	
		Adjust- ments	Accrual Basis
Revenues	\$ 17,927,343	267,515	18,194,858
Expenses	17,187,576	13,333	17,200,909
Net	739,767	254,182	993,949
Beginning fund balances	3,377,492	207,123	3,584,615
Ending fund balances	<u>\$ 4,117,259</u>	<u>207,123</u>	<u>4,578,564</u>

	Proprietary Fund Type		
	Cash Basis	Enterprise Accrual	
		Adjust- ments	Accrual Basis
Revenues	\$ 1,359,897	(786)	1,359,111
Expenses	1,258,606	(4,743)	1,253,863
Net	101,291	3,957	105,248
Other financing uses	0	(8,923)	(8,923)
Beginning net assets	145,156	172,677	317,833
Ending net assets	<u>\$ 246,447</u>	<u>167,711</u>	<u>414,158</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

OTHER SUPPLEMENTAL INFORMATION

GLENWOOD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2005

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds	Debt Service		
<b>ASSETS</b>								
Cash and pooled investments	\$ 388,816	173,047	242,484	2,671	807,018	5,984		813,002
Receivables:								
Property tax								
Current year delinquent	5,480	0	10,507	0	15,987	15,315		31,302
Succeeding year	250,000	0	441,539	0	691,539	628,020		1,319,559
<b>TOTAL ASSETS</b>	<b>\$ 644,296</b>	<b>173,047</b>	<b>694,530</b>	<b>2,671</b>	<b>1,514,544</b>	<b>649,319</b>		<b>2,163,863</b>
<b>LIABILITIES AND FUND EQUITY</b>								
Liabilities:								
Accounts payable	\$ 0	1,341	0	0	1,341	0		1,341
Deferred revenue	250,000	0	441,539	0	691,539	628,020		1,319,559
Succeeding year property tax	250,000	1,341	441,539	0	692,880	628,020		1,320,900
Fund equity:								
Fund balances:								
Reserved for Debt Service	0	0	0	0	0	21,299		21,299
Unreserved, undesignated	394,296	171,706	252,991	2,671	821,664	0		821,664
	394,296	171,706	252,991	2,671	821,664	21,299		842,963
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 644,296</b>	<b>173,047</b>	<b>694,530</b>	<b>2,671</b>	<b>1,514,544</b>	<b>649,319</b>		<b>2,163,863</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GLENWOOD COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2005

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds	Debt Service	
<b>REVENUES:</b>							
Local sources:							
Local tax	\$ 246,190	0	428,330	0	674,520	624,320	1,298,840
Other	3,144	370,482	2,025	3,400	379,051	740	379,791
State sources	184	0	316	0	500	460	960
<b>TOTAL REVENUES</b>	<b>249,518</b>	<b>370,482</b>	<b>430,671</b>	<b>3,400</b>	<b>1,054,071</b>	<b>625,520</b>	<b>1,679,591</b>
<b>EXPENDITURES:</b>							
Current:							
Instruction:							
Regular instruction	78,043	0	0	0	78,043	0	78,043
Other instruction	0	362,049	0	4,300	366,349	0	366,349
Support services:							
Administration services	9,132	0	300	0	9,432	0	9,432
Operation and maintenance of plant services	78,873	0	0	0	78,873	0	78,873
Student transportation	29,866	0	0	0	29,866	0	29,866
Other expenditures:							
Facilities acquisitions	0	0	141,591	0	141,591	0	141,591
Long-term debt:							
Principal	0	0	0	0	0	730,000	730,000
Interest and fiscal charges	0	0	0	0	0	221,687	221,687
<b>TOTAL EXPENDITURES</b>	<b>195,914</b>	<b>362,049</b>	<b>141,891</b>	<b>4,300</b>	<b>704,154</b>	<b>951,687</b>	<b>1,655,841</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>53,604</b>	<b>8,433</b>	<b>288,780</b>	<b>(900)</b>	<b>349,917</b>	<b>(326,167)</b>	<b>23,750</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfer in	0	0	0	0	0	317,628	317,628
Transfer out	0	0	(317,628)	0	(317,628)	0	(317,628)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>(317,628)</b>	<b>0</b>	<b>(317,628)</b>	<b>317,628</b>	<b>0</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>53,604</b>	<b>8,433</b>	<b>(28,848)</b>	<b>(900)</b>	<b>32,289</b>	<b>(8,539)</b>	<b>23,750</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>340,692</b>	<b>163,273</b>	<b>281,839</b>	<b>3,571</b>	<b>789,375</b>	<b>29,838</b>	<b>819,213</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ 394,296</b>	<b>171,706</b>	<b>252,991</b>	<b>2,671</b>	<b>821,664</b>	<b>21,299</b>	<b>842,963</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GLENWOOD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Speech MS	\$ 703	421	126	998
Speech HS	8	0	0	8
Music MS	887	420	126	1,181
Musical HS	3,066	2,476	1,912	3,630
Music HS	1,417	2,935	3,062	1,290
Vocal Music HS	8,307	17,286	9,313	16,280
Show Choir	4,073	1,675	1,010	4,738
Band MS	24	0	0	24
Band Trip	14,288	18,746	19,835	13,199
Athletics	16,214	89,334	92,223	13,325
Cross County - Boys	599	2,545	2,383	761
Cross County - Girls	840	480	88	1,232
Basketball - Boys	1,968	2,291	4,057	202
Football	1,164	4,432	3,741	1,855
Soccer - Boys	1,898	6,228	5,142	2,984
Baseball	7	1,414	971	450
Track - Boys	2,139	6,333	5,137	3,335
Golf - Boys	233	0	200	33
Wrestling	1,617	6,262	6,203	1,676
Basketball - Girls	645	0	507	138
Volleyball	3,774	0	1,716	2,058
Soccer - Girls	924	480	1,228	176
Softball	852	24,649	13,195	12,306
Track - Girls	430	4,637	3,256	1,811
Tennis - Girls	826	1,131	1,957	0
Golf - Girls	131	0	0	131
Annual HS	7,867	8,796	7,155	9,508
Annual MS	3,728	4,351	4,193	3,886
National Art	211	436	126	521
Black and Gold	896	1,429	819	1,506
Building Bridges	0	1,538	1,025	513
Cheerleaders HS	4,417	13,001	16,156	1,262
Chess Club HS	324	0	0	324
Class of 2003	2	0	0	2
Class of 2004	48	0	0	48
Class of 2005	308	0	146	162
Class of 2006	40	11,346	11,066	320
Class of 2007	30	40	0	70
FBLA	65	0	0	65
FFA	1,525	9,421	10,432	514
FCA	89	0	0	89
Fragments	510	0	40	470

GLENWOOD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Foreign Language	107	0	0	107
FCCLA	2,822	8,695	8,184	3,333
IJAG	224	0	224	0
Peer Tutoring	2	0	0	2
REACH	358	2,691	2,652	397
Builders Club	267	2,034	2,204	97
SW Honor Band	3,500	14,762	18,216	46
Comm Prev Group	17	0	0	17
Student Council MS	1,057	1,019	870	1,206
Marketing Class	261	1,072	570	763
Media Book Club	165	500	192	473
Great Race	227	0	0	227
Key Club	1	0	0	1
Student Council HS	1,002	929	1,166	765
Special 21	20,623	10,239	21,718	9,144
Library HS	127	100	0	227
NE Elementary	9,377	31,409	25,069	15,717
Ram Shack	1,550	218	603	1,165
Uniform Clean MS	17	905	0	922
Uniform Clean HS	1,124	1,301	782	1,643
Vending Trans	175	451	351	275
Vending MS	5,234	6,970	8,346	3,858
Vending HS	3,268	11,700	11,481	3,487
Weight Room	24	0	0	24
Vocal Robe Clean	2,213	700	0	2,913
Vending Bldg Brdg	5,686	835	1,368	5,153
West Elementary	16,751	29,419	29,507	16,663
<b>Total</b>	<b>\$ 163,273</b>	<b>370,482</b>	<b>362,049</b>	<b>171,706</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GLENWOOD 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 and pooled investments	\$ 6,973	100,371	102,741	4,603
LIABILITIES				
Due to other groups	\$ 6,973	100,371	102,741	4,603

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 6,689,807	5,942,689	5,743,021	5,309,213
Tuition	1,220,022	1,279,884	1,022,333	1,099,169
Other	599,906	495,963	519,810	222,875
Intermediate sources	3,340	0	0	0
State sources	8,794,897	8,398,795	8,497,347	8,278,077
Federal sources	886,886	834,825	522,645	723,034
<b>Total</b>	<b>\$ 18,194,858</b>	<b>16,952,156</b>	<b>16,305,156</b>	<b>15,632,368</b>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	\$ 6,149,662	5,808,253	5,665,283	5,368,395
Special instruction	2,677,056	2,974,237	2,935,734	2,535,551
Other instruction	1,767,899	987,870	1,036,601	1,598,219
Support services:				
Student services	253,499	590,896	648,363	666,014
Instructional staff services	470,012	423,069	394,560	425,481
Administration services	1,502,756	1,399,672	1,344,807	1,385,660
Operation and maintenance of plant services	1,296,220	1,593,281	1,202,312	1,254,376
Transportation services	821,126	836,311	781,980	765,139
Central support services	0	18,293	35,669	35,004
Non-instructional programs	193	2,100	3,389	1,257
Other expenditures:				
Facilities acquisitions	758,985	476,431	88,704	134,334
Long-term debt:				
Principal	730,000	695,000	685,000	610,000
Interest and other charges	221,687	248,611	399,865	338,798
AEA flow-through	551,814	547,349	573,000	575,303
<b>Total</b>	<b>\$ 17,200,909</b>	<b>16,601,373</b>	<b>15,795,267</b>	<b>15,693,531</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GLENWOOD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 05	\$ <u>41,602</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 05	37,098
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 05	212,719
SPECIAL MILK PROGRAM	10.556	FY 05	51,881
CHILD AND ADULT CARE FOOD PROGRAM	10.558	FY 05	20,747
SUMMER FOOD PROGRAM FOR CHILDREN	10.559	FY 05	<u>20,366</u>
			<u>342,811</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	2511-G	178,724
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	2511-GC	2,072
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	2511-D	<u>15,424</u>
			<u>196,220</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 05	<u>8,004</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (IOWA DEMONSTRATION CONSTRUCTION GRANT)	84.215	FY 05	<u>315,995</u>
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 05	<u>7,145</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 04	2,982
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 05	<u>62,466</u>
			<u>65,448</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)	84.369	FY 04	5,822
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)	84.369	FY 05	<u>9,827</u>
			<u>15,649</u>

GLENWOOD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT (CONTINUED) :			
DEPARTMENT OF EDUCATION (CONTINUED) :			
IOWA WESTERN COMMUNITY COLLEGE:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 05	<u>14,572</u>
IOWA PUBLIC TELEVISION:			
STAR SCHOOLS	84.203	FY 05	<u>14,100</u>
LOESS HILLS AEA 13:			
SPECIAL EDUCATION - GRANTS TO STATE (PART B)	84.027	FY 05	<u>97,368</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
CHILD CARE AND DEVELOPMENT BLOCK			
GRANT - WRAP AROUND GRANT	93.575	FY 05	<u>161,010</u>
MEDICAL ASSISTANCE PROGRAM	93.575	FY 05	<u>15,235</u>
TOTAL			<u><u>\$ 1,295,159</u></u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Glenwood Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

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

Telephone (641) 792-1910

### Independent Auditor's Report on Compliance 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 the  
Glenwood 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 Glenwood 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 11, 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 Glenwood Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 II of the accompanying Schedule of Findings and Questioned Costs.

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 II-A-05 is a material weakness.

#### Compliance

As part of obtaining reasonable assurance about whether Glenwood 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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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 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 Glenwood Community School District and other parties to whom Glenwood Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Glenwood Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Nolte, Cornman & Johnson PC*  
NOLTE, CORNMAN & JOHNSON, P.C.

October 11, 2005

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

(a professional corporation)

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

Telephone (641) 792-1910

## Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of  
Glenwood Community School District

### Compliance

We have audited the compliance of Glenwood Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Glenwood Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Glenwood Community School District's management. Our responsibility is to express an opinion on Glenwood Community School District's compliance based on our audit.

We conducted our audit of compliance 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 and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Glenwood Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Glenwood Community School District's compliance with those requirements.

In our opinion, Glenwood Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

### Internal Control Over Compliance

The management of Glenwood Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Glenwood Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect Glenwood Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as item III-A-05 in the accompanying Schedule of Findings and Questioned Costs.

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 non-compliance with applicable requirements of laws, regulations, contracts and grant agreement caused by error or fraud that would be material in relation to a major federal program 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 compliance 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, we believe item III-A-05 is a material weakness.

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

*Nolte, Cornman & Johnson*   
NOLTE, CORNMAN & JOHNSON, P.C.

October 11, 2005

GLENWOOD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.556 - Special Milk Program
    - CFDA Number 10.558 - Child and Adult Care Food Program
    - CFDA Number 10.559 - Summer Food Program for Children
  - Individual
    - CFDA Number 84.215 - Fund for the Improvement of Education (Iowa Demonstration Construction Grant)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Glenwood Community School District did not qualify as a low-risk auditee.

GLENWOOD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

GLENWOOD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number 10.553: School Breakfast Program and  
CFDA Number 10.555: National School Lunch Program  
CFDA Number 10.556: Special Milk Program  
CFDA Number 10.558: Child and Adult Care Food Program  
CFDA Number 10.559: Summer Food Program for Children  
Federal Award Year: 2005  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.215: Fund for the Improvement of Education (Iowa Demonstration  
Construction Grant)  
Federal Award Year: 2005  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

GLENWOOD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2005

Part IV: Other Findings Related to Statutory Reporting

IV-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

IV-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, did not exceed the amount budgeted.

IV-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-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.

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

Name, Title and Business Connection	Transaction Description	Amount
Deb Trask, Supt. Secretary Spouse of owner of True Value	Supplies	\$3,351
Michelle Konfrst, Secretary Spouse of owner of Steve Konfrst Trash	Purchased Services	\$3,602
Michelle Konfrst, Secretary Spouse of owner of Konfrst Tree Service	Purchased Services	\$100
Linda LaRue, Teacher Spouse of owner of LaRue Drug	Supplies	\$52
Kerrie Newman, Principal Spouse of Cliff Newman	Purchased Services	\$5,920
Aaron Aistrophe, Bus Driver Son of owner of Aistrophe Agency Inc.	Property Insurance	\$174,182
Leon Portrey, Dean of Students Father of Matt Portrey	Purchased Services	\$400
Todd Peverill, Bus Driver Owner of Todd's Tinker Town	Purchased Services	\$295
Mary Kay Hockabout, Secretary Owner of Partners in Prevention	Services and Supplies	\$641

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

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the secretary and bus driver owners do not appear to represent a conflict of interest.

- IV-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 that the coverage is adequate for current operations.
- IV-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-I-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.