

Grundy Center Community School District

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

June 30, 2005

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14-15
Governmental Fund Financial Statements:	
Balance Sheet	C 16
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets	D 17
Statement of Revenues, Expenditures and Changes in Fund Balances	E 18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds to the Statement of Activities	F 19
Proprietary Fund Financial Statements	
Statement of Net Assets	G 20
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 21
Statement of Cash Flows	I 22
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 23
Statement of Changes in Fiduciary Net Assets	K 24
Notes to Financial Statements	25-33
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements And Changes in Balances-Budget and Actual-All Governmental Funds and Proprietary Funds	34
Notes to Required Supplementary Information- Budgetary Reporting	35
Other Supplementary Information:	<u>Schedule</u>
Non-major Special Revenue Funds:	
Combining Balance Sheet	1 36
Combining Schedule of Revenues, Expenditures and Changes In Fund Balance	2 37
Schedule of Changes in Special Revenue Fund-Student Activity Accounts	3 38-39
Schedule of Changes in Fiduciary Assets and Liabilities- Agency Funds	4 40
Schedule of Revenues by Source and Expenditures by Function- All Governmental Funds	5 41
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	42-43
Schedule of Findings	44-46

Grundy Center Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2004 Election)		
Donnarae Cranston	President	2006
Mark Dunnick	Vice President	2004
Keely Harken	Board Member	2004
Dan Davie	Board Member	2006
Doug Jordan	Board Member	2005
Board of Education		
(After September 2004 Election)		
Mark Dunnick	President	2007
Dan Davie	Vice President	2006
Keely Harken	Board Member	2007
Donnarae Cranston	Board Member	2006
Doug Jordan	Board Member	2005
School Officials		
John Stevens	Superintendent	2005
Mary Boege	District Secretary/Treasurer and Business Manager	2005
T.J. Heronimus	Attorney	2005

Independent Auditor's Report

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

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

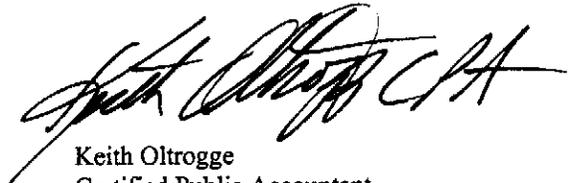
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable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

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

In accordance with Government Auditing Standards, I have also issued my report dated August 9, 2005 on my consideration of Grundy Center Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grundy Center Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (which are not presented herein) and expressed a qualified opinion on those financial statements, due to the omission of fixed asset balances. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year 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 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge
Certified Public Accountant

August 9, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,060,521 in fiscal 2004 to \$5,012,697 in fiscal 2005, while General Fund expenditures increased from \$4,757,448 in fiscal 2004 to \$4,953,615 in fiscal 2005. The District's General Fund balance increased from \$1,080,598 in fiscal 2004 to \$1,141,680 in fiscal 2005, a 5.4% increase.
- The decrease in General Fund revenues was attributable to a decrease in state and federal grant revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.
- An increase in the District's General Fund balance resulted in the District's solvency ratio increasing from 22.71% in fiscal 2004 to 22.75% in fiscal 2005. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

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

Figure A-1
Grundy Center Community School District Annual Financial Report

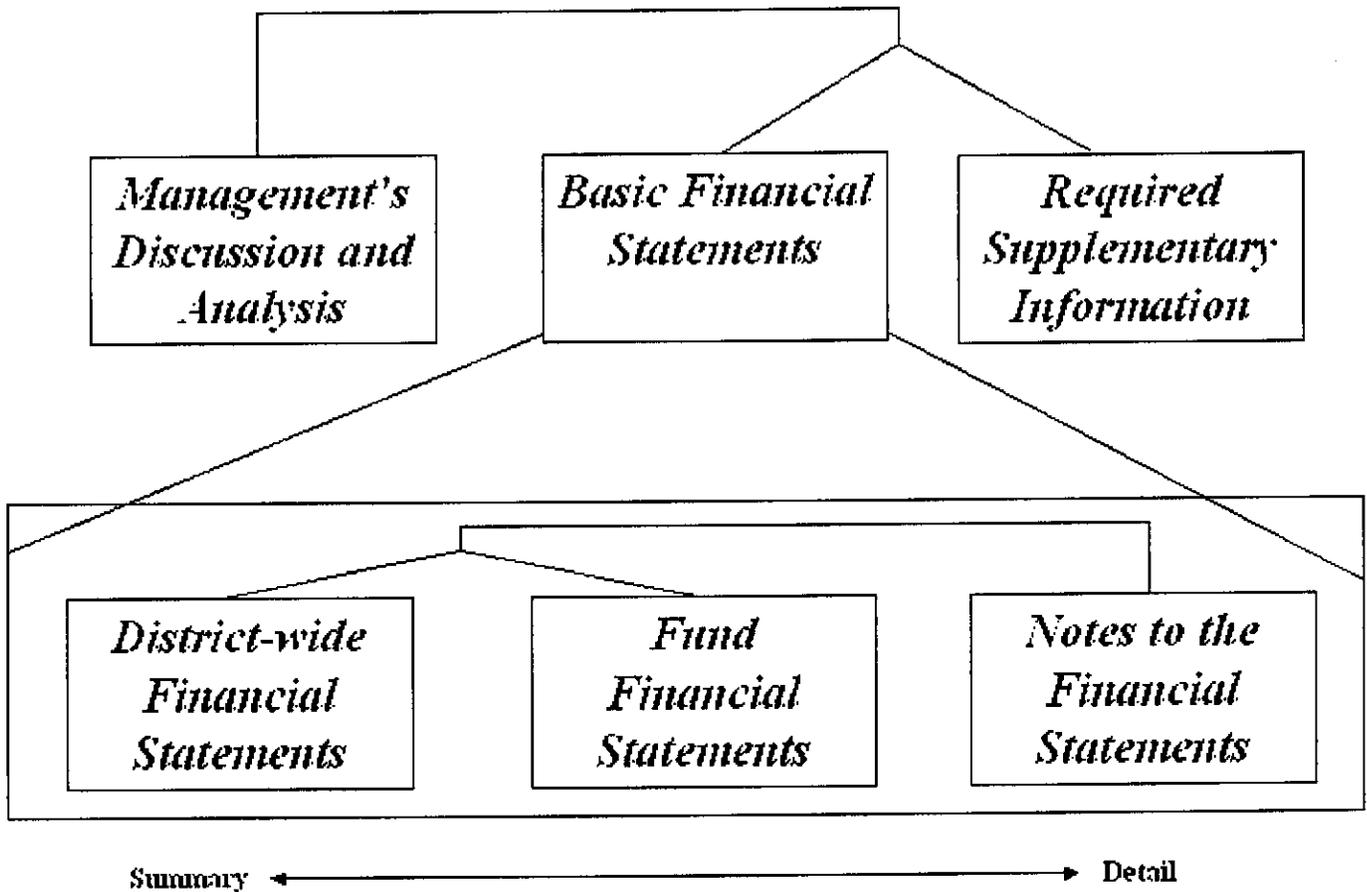


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private-Purpose Trust Funds – The District accounts for outside donations for scholarships for individual students in these funds.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Current and other assets	\$4,009,980	\$3,693,209	\$4,318	\$33,797	\$4,014,298	\$3,727,006	7.7%
Capital assets	4,184,516	3,558,553	52,828	47,557	4,237,344	3,606,110	17.5%
Total assets	\$8,194,496	\$7,251,762	\$57,146	\$81,354	\$8,251,642	\$7,333,116	12.5%
Long-term liabilities	\$3,419,720	\$2,548,074	\$-	\$-	\$3,419,720	\$2,548,074	34.2%
Other liabilities	2,470,144	2,597,175	11,598	3,832	2,481,742	2,601,007	-16.1%
Total liabilities	\$5,889,864	\$5,145,249	\$11,598	\$3,832	\$5,901,462	\$5,149,081	14.6%
Net assets:							
Invested in capital assets, net of related debt	\$1,039,650	\$1,093,852	\$52,828	\$47,557	\$1,092,478	\$1,141,409	-4.3%
Restricted	14,779	-48,614	-	-	14,779	-48,614	30.4%
Unrestricted	1,250,203	1,061,275	-7,280	29,965	1,242,923	1,091,240	13.9%
Total net assets	\$2,304,632	\$2,106,513	\$45,548	\$77,522	\$2,350,180	\$2,184,035	7.6%

The District’s combined net assets increased by nearly 7.6%, or \$166,145, over the prior year. The largest portion of the District’s net assets is the “invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt”. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net assets increased \$63,393, or 30.4% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$151,683, or 13.9%.

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

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

	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$958,446	\$176,981	\$1,135,427
Operating grants, contributions and restricted interest	451,139	100,029	551,168
Capital grants, contributions and restricted interest	-	-	-
General revenues:			
Property tax	2,395,998	-	2,395,998
Local option sales and service tax	254,192	-	254,192
Unrestricted state grants	2,146,762	-	2,146,762
Unrestricted investment earnings	18,121	373	18,494
Other	91,411	-	91,411
Total revenues	\$6,316,069	\$277,383	\$6,593,452
Program expenses:			
Governmental activities:			
Instruction	\$4,089,759	\$-	\$4,089,759
Support services	1,628,784	-	1,628,784
Non-instructional programs	370	309,357	309,727
Other expenses	399,037	-	399,037
Total expenses	\$6,117,950	\$309,357	\$6,427,307
Change in net assets	\$198,119	-\$31,974	\$166,145

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

Governmental Activities

Revenues for governmental activities were \$6,316,069 and expenses were \$6,117,950. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

	Figure A-5 Total and Net Cost of Governmental Activities	
	Total Cost of Services	Net Cost of Services
Instruction	\$4,089,759	\$2,786,873
Support Services	1,628,784	1,522,085
Non-instructional programs	370	370
Other expenses	399,037	399,037
Totals	\$6,117,950	\$4,708,365

- The cost financed by users of the District's programs was \$1,135,427.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$551,168.
- The net cost of governmental activities was financed with \$2,395,998 in property and other taxes and \$2,146,762 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$277,383 and expenses were \$309,357. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,592,482, well above last year's ending fund balances of \$1,146,530. The primary reason for the increase in combined fund balances in fiscal 2005 is due to increased revenues in fiscal 2005.

Governmental Fund Highlights

- The General Fund balance increased from \$1,080,598 to \$1,141,680.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from a deficit of -\$30,408 in fiscal 2004 to \$41,937 in fiscal 2005.
- The Capital Projects Fund balance increased from a deficit of -\$22,705 in fiscal 2004 to \$229,096 in fiscal 2005. During fiscal 2005, the District received local option sales tax dollars and \$900,000 of Local Option Sales Tax Anticipation Bonds.
- The Management Levy Fund ended fiscal 2005 with a balance of \$22,609. This is an increase of \$22,950 from fiscal 2004.

Proprietary Fund Highlights

- School Nutrition Fund net assets decreased from \$77,522 at June 30, 2004 to \$45,548 at June 30, 2005, representing a decrease of approximately 30%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Grundy Center Community School District amended its annual budget one time to reflect additional expenditures associated with lease payments and SILO Levy expense.

The District's receipts were \$393,476 less than budgeted receipts, a variance of 5.6%. The most significant variance resulted from the District receiving less in property taxes than originally anticipated.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$4.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 17.5% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$250,699.

The original cost of the District's capital assets was \$9.33 million. Governmental funds account for \$9.21 million, with the remainder of \$.12 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Land	\$21,252	\$21,252	\$-	\$-	\$21,252	\$21,252	0.0%
Construction in progress	-	90,048	-	-	-	90,048	100.0%
Buildings	3,273,480	2,904,724	-	-	3,273,480	2,904,724	12.7%
Improvements other than buildings	215,290	189,626	-	-	215,290	189,626	13.5%
Furniture and equipment	674,494	352,903	52,828	47,557	727,322	400,460	81.6%
Totals	\$4,184,516	\$3,558,553	\$52,828	\$47,557	\$4,237,344	\$3,606,110	17.5%

Long-Term Debt

At June 30, 2005, the District had \$3,419,720 in general obligation, notes payable and other long-term debt outstanding. This represents an increase of approximately 13.4% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2005	2004	2004-2005
Revenue bond	\$900,000	\$-	0.0%
General obligation bonds	1,900,000	2,120,000	-10.4%
Capital leases	80,601	8,319	968.8%
Notes payable	264,265	336,382	-21.4%
Early retirement	274,854	83,373	329.6%
Totals	\$3,419,720	\$2,548,074	13.4%

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Boege, District Secretary/Treasurer and Business Manager, Grundy Center Community School District, 1301-12th Street, Grundy Center IA 50638.

Basic Financial Statements

Grundy Center Community School District

Statement of Net Assets

June 30, 2005

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,263,676	\$ 3,152	\$ 1,266,828
Receivables:			
Property tax:			
Delinquent	35,865	-	35,865
Succeeding year	2,333,761	-	2,333,761
Accounts	238,695	527	239,222
Due from other funds	7,807	-	7,807
Due from other governments	130,176	-	130,176
Inventories	-	639	639
Capital assets, net of accumulated depreciation	4,184,516	52,828	4,237,344
Total Assets	\$ 8,194,496	\$ 57,146	\$ 8,251,642
Liabilities			
Due to other funds	\$ -	\$ 7,807	\$ 7,807
Accounts payable	44,796	4	44,800
Salaries and benefits payable	38,941	27	38,968
Accrued interest payable	52,646	-	52,646
Deferred revenue-succeeding year property tax	2,333,761	-	2,333,761
Deferred revenue-other	-	3,760	3,760
Long-term liabilities:			
Portion due within one year:			
Revenue bond	50,000	-	50,000
General obligation bonds payable	235,000	-	235,000
Capital lease	48,664	-	48,664
Notes payable	75,705	-	75,705
Early retirement	93,259	-	93,259
Portion due after one year:			
Revenue bond	850,000	-	850,000
General obligation bonds payable	1,665,000	-	1,665,000
Capital lease	31,937	-	31,937
Notes payable	188,560	-	188,560
Early retirement	181,595	-	181,595
Total Liabilities	\$ 5,889,864	\$ 11,598	\$ 5,901,462
Net Assets			
Invested in capital assets, net of related debt	\$ 1,039,650	\$ 52,828	\$ 1,092,478
Restricted for:			
Other special revenue purposes	14,779	-	14,779
Unrestricted	1,250,203	-7,280	1,242,923
Total Net Assets	\$ 2,304,632	\$ 45,548	\$ 2,350,180

See notes to financial statements.

Grundy Center Community School District

Statement of Activities

Year Ended June 30, 2005

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,643,845	\$ 407,793	\$ 354,419	\$ -
Special instruction	642,932	129,054	76,721	-
Other instruction	802,982	322,444	12,455	-
	<u>\$ 4,089,759</u>	<u>\$ 859,291</u>	<u>\$ 443,595</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 110,848	\$ -	\$ 4,176	\$ -
Instructional staff services	191,869	-	-	-
Administration services	587,741	-	-	-
Operation and maintenance of plant services	500,977	4,661	-	-
Transportation services	237,349	94,494	3,368	-
	<u>\$ 1,628,784</u>	<u>\$ 99,155</u>	<u>\$ 7,544</u>	<u>\$ -</u>
Non-instructional programs	\$ 370	\$ -	\$ -	\$ -
Other Expenditures:				
Facilities acquisition	\$ 99,410	\$ -	\$ -	\$ -
Long-term debt interest	120,674	-	-	-
AEA flow-through	178,953	-	-	-
	<u>\$ 399,037</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 6,117,950</u>	<u>\$ 958,446</u>	<u>\$ 451,139</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 309,357	\$ 176,981	\$ 100,029	\$ -
Total	<u>\$ 6,427,307</u>	<u>\$ 1,135,427</u>	<u>\$ 551,168</u>	<u>\$ -</u>

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ -1,881,633	\$ -	\$ -1,881,633
-437,157	-	-437,157
-468,083	-	-468,083
<u>\$ -2,786,873</u>	<u>\$ -</u>	<u>\$ -2,786,873</u>
\$ -106,672	\$ -	\$ -106,672
-191,869	-	-191,869
-587,741	-	-587,741
-496,316	-	-496,316
-139,487	-	-139,487
<u>\$ -1,522,085</u>	<u>\$ -</u>	<u>\$ -1,522,085</u>
<u>\$ -370</u>	<u>\$ -</u>	<u>\$ -370</u>
\$ -99,410	\$ -	\$ -99,410
-120,674	-	-120,674
-178,953	-	-178,953
<u>\$ -399,037</u>	<u>\$ -</u>	<u>\$ -399,037</u>
<u>\$ -4,708,365</u>	<u>\$ -</u>	<u>\$ -4,708,365</u>
\$ -	\$ -32,347	\$ -32,347
<u>\$ -4,708,365</u>	<u>\$ -32,347</u>	<u>\$ -4,740,712</u>

Grundy Center Community School District

Statement of Activities

Year Ended June 30, 2005

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

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

	Governmental Activities	Business Type Activities		Total
\$	1,831,922	-	\$	1,831,922
	321,568	-		321,568
	242,508	-		242,508
	254,192	-		254,192
	2,146,762	-		2,146,762
	18,121	373		18,494
	91,411	-		91,411
<hr/>				
\$	4,906,484	373	\$	4,906,857
<hr/>				
\$	198,119	-31,974	\$	166,145
	2,106,513	77,522		2,184,035
<hr/>				
\$	2,304,632	45,548	\$	2,350,180

Grundy Center Community School District

Balance Sheet
Governmental Funds

June 30, 2005

	General	Management	Capital Projects	Non-Major Special Revenue	Total
Assets					
Cash and pooled investments	\$ 898,335	\$ 46,960	\$ 122,650	\$ 195,731	\$ 1,263,676
Receivables:					
Property Tax:					
Delinquent	24,878	2,221	-	8,766	35,865
Succeeding year	1,613,500	150,000	-	570,261	2,333,761
Accounts	128,067	-	109,871	757	238,695
Due from other governments	130,176	-	-	-	130,176
Due from other funds	7,807	-	-	-	7,807
Total Assets	\$ 2,802,763	\$ 199,181	\$ 232,521	\$ 775,515	\$ 4,009,980
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 35,214	\$ -	\$ 3,425	\$ 6,157	\$ 44,796
Salaries and benefits payable	12,369	26,572	-	-	38,941
Deferred Revenue:					
Succeeding year property tax	1,613,500	150,000	-	570,261	2,333,761
Total Liabilities	\$ 1,661,083	\$ 176,572	\$ 3,425	\$ 576,418	\$ 2,417,498
Fund Balances:					
Reserved	\$ 14,779	\$ -	\$ -	\$ -	\$ 14,779
Unreserved	1,126,901	22,609	229,096	199,097	1,577,703
Total fund balances	\$ 1,141,680	\$ 22,609	\$ 229,096	\$ 199,097	\$ 1,592,482
Total Liabilities and Fund Balances	\$ 2,802,763	\$ 199,181	\$ 232,521	\$ 775,515	\$ 4,009,980

Grundy Center Community School District
Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets

June 30, 2005

Total fund balances of governmental funds (page 16)	\$ 1,592,482
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	4,184,516
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	-52,646
Long-term liabilities, including bonds and notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-3,419,720</u>
Net assets of governmental activities (page 13)	<u>\$ 2,304,632</u>

Grundy Center Community School District

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

Year Ended June 30, 2005

	General	Management	Capital Projects	Non-Major Special Revenue	Total
Revenues:					
Local Sources:					
Local tax	\$ 1,692,259	\$ 139,663	\$ -	\$ 564,076	\$ 2,395,998
Tuition	487,874	-	-	-	487,874
Other	235,223	3,848	255,870	337,355	832,296
Intermediate sources	-	-	-	-	-
State sources	2,497,884	113	-	447	2,498,444
Federal sources	99,457	-	-	-	99,457
Total Revenues	\$ 5,012,697	\$ 143,624	\$ 255,870	\$ 901,878	\$ 6,314,069
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,107,218	\$ 71,230	\$ -	\$ -	\$ 2,178,448
Special instruction	640,435	-	-	-	640,435
Other instruction	498,132	-	-	288,806	786,938
	\$ 3,245,785	\$ 71,230	\$ -	\$ 288,806	\$ 3,605,821
Support Services:					
Student services	\$ 110,108	\$ 740	\$ -	\$ -	\$ 110,848
Instructional staff services	191,499	370	-	-	191,869
Administration services	572,584	3,704	-	-	576,288
Operation and maintenance of plant services	442,303	34,044	-	25,869	502,216
Transportation services	212,383	10,216	-	-	222,599
	\$ 1,528,877	\$ 49,074	\$ -	\$ 25,869	\$ 1,603,820
Non-instructional programs	\$ -	\$ 370	\$ -	\$ -	\$ 370
Other Expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 904,069	\$ 4,081	\$ 908,150
Long-Term Debt:					
Principal	-	-	-	354,479	354,479
Interest and fiscal charges	-	-	-	118,524	118,524
AEA flow-through	178,953	-	-	-	178,953
	\$ 178,953	\$ -	\$ 904,069	\$ 477,084	\$ 1,560,106
Total Expenditures	\$ 4,953,615	\$ 120,674	\$ 904,069	\$ 791,759	\$ 6,770,117
Excess (deficiency) of revenues over (under) expenditures	\$ 59,082	\$ 22,950	\$ -648,199	\$ 110,119	\$ -456,048
Other Financing Sources (Uses):					
Sale of equipment	\$ 2,000	\$ -	\$ -	\$ -	\$ 2,000
Loan proceeds	-	-	900,000	-	900,000
Total Other Financing Sources (Uses)	\$ 2,000	\$ -	\$ 900,000	\$ -	\$ 902,000
Net change in fund balances	\$ 61,082	\$ 22,950	\$ 251,801	\$ 110,119	\$ 445,952
Fund balances beginning of year	1,080,598	-341	-22,705	88,978	1,146,530
Fund Balances End of Year	\$ 1,141,680	\$ 22,609	\$ 229,096	\$ 199,097	\$ 1,592,482
See notes to financial statements.					

Grundy Center Community School District

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities

Year Ended June 30, 2005

Net change in fund balances – total governmental funds (page 18) \$ 445,952

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 865,493	
Depreciation expense	<u>-239,530</u>	625,963

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

Issued	\$ -1,034,645	
Repaid	<u>354,480</u>	-680,165

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

-2,150

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

New early retirement	\$ -208,731	
Early retirement	<u>17,250</u>	-191,481

Change in Net Assets of Governmental Activities (page 15) \$ 198,119

Grundy Center Community School District

Statement of Net Assets
Proprietary Fund

June 30, 2005

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 3,152
Accounts receivable	527
Inventories	639
Capital assets, net of accumulated depreciation	<u>52,828</u>
Total Assets	\$ 57,146
Liabilities	
Due to other funds	\$ 7,807
Accounts payable	4
Salaries and benefits payable	27
Deferred revenue	<u>3,760</u>
Total Liabilities	\$ 11,598
Net Assets	
Invested in capital assets, net of related debt	\$ 52,828
Unrestricted	<u>-7,280</u>
Total Net Assets	\$ 45,548

Grundy Center Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

June 30, 2005

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 176,981
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 79,976
Benefits	28,110
Purchased services	1,164
Supplies	145,996
Depreciation	11,169
Other	42,942
Total operating expenses	\$ 309,357
Operating loss	\$ -132,376
Non-operating revenues:	
State sources	\$ 3,603
Federal sources	96,426
Interest income	373
Total non-operating revenues	\$ 100,402
Change in net assets	\$ -31,974
Net assets beginning of year	77,522
Net Assets End of Year	\$ 45,548

Grundy Center Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 178,070
Cash paid to employees for services	-108,152
Cash paid to suppliers for goods or services	-160,216
Net cash used by operating activities	<u>\$ -90,298</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,603
Federal grants received	78,263
Net cash provided by non-capital financing activities	<u>\$ 81,866</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -16,440</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 373</u>
Net decrease in cash and cash equivalents	\$ -24,499
Cash and cash equivalents beginning of year	<u>27,651</u>
Cash and Cash Equivalents End of Year	<u>\$ 3,152</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -132,376
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	21,071
Depreciation	11,169
Decrease in inventories	1,992
Decrease in accounts receivable	80
(Decrease) in accounts payable	-981
(Decrease) in salaries and benefits payable	-70
Increase in deferred revenue	1,010
Increase in inter-fund payable	7,807
Net Cash Used by Operating Activities	<u>\$ -90,298</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$18,164 of federal commodities.

Grundy Center Community School District

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2005

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 510	\$ 5,265
Liabilities		
Accounts payable	\$ -	\$ 5,265
Net Assets		
Reserved for scholarships	\$ 510	\$ -

Grundy Center Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2005

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$ -</u>
Deductions:	
Support services:	
Services	<u>\$ 37</u>
Change in net assets	<u>\$ -37</u>
Net assets beginning of year	<u>547</u>
Net Assets End of Year	<u>\$ 510</u>

Grundy Center Community School District

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

Grundy Center Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Grundy Center, Iowa and portions of the predominately agricultural territories in Grundy and Tama 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, Grundy Center Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Grundy Center Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Management Fund is used to account for resources derived from special sources which are required by law or regulation to be accounted for in a separate fund.

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

The District reports the following major proprietary fund:

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

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 Private Purpose Trust Funds are used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

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

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

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

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

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

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

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

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the non-instructional programs functional area exceed the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

(3) **Inter-fund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Special Revenue: Physical Plant and Equipment Levy	\$ 150,429

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 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 21,252	\$ -	\$ -	\$ 21,252
Construction in progress	90,048	-	90,048	-
Total capital assets not being depreciated	\$ 111,300	\$ -	\$ 90,048	\$ 21,252
Capital assets being depreciated:				
Buildings	\$ 5,612,825	\$ 478,601	\$ -	\$ 6,091,426
Improvements other than buildings	448,282	27,740	-	476,022
Furniture and equipment	2,175,438	449,200	5,000	2,619,638
Total capital assets being depreciated	\$ 8,236,545	\$ 955,541	\$ 5,000	\$ 9,187,086
Less accumulated depreciation for:				
Buildings	\$ 2,708,101	\$ 109,845	\$ -	\$ 2,817,946
Improvements other than buildings	258,656	2,076	-	260,732
Furniture and equipment	1,822,535	127,609	5,000	1,945,144
Total accumulated depreciation	\$ 4,789,292	\$ 239,530	\$ 5,000	\$ 5,023,822
Total capital assets being depreciated, net	\$ 3,447,253	\$ 716,011	\$ -	\$ 4,163,264
Governmental Activities Capital Assets, Net	\$ 3,558,553	\$ 716,011	\$ 90,048	\$ 4,184,516

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 111,872	\$ 16,440	\$ 11,311	\$ 117,001
Less accumulated depreciation	64,315	11,169	11,311	64,173
Business Type Activities Capital Assets, Net	\$ 47,557	\$ 5,271	\$ -	\$ 52,828

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 160,836
Special	2,497
Other	16,044

Support services:

Administration	11,453
Operation and maintenance of plant	7,645
Transportation	41,055

Total Depreciation Expense – Governmental Activities

\$ 239,530

Business Type Activities:

Food service operations	\$ 11,169
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(5) Long-term Liabilities

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

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Revenue bond	\$ -	\$ 900,000	\$ -	\$ 900,000	\$ 50,000
General obligation bonds	2,120,000	-	220,000	1,900,000	235,000
Capital leases	8,319	134,645	62,363	80,601	48,664
Notes payable	336,382	-	72,117	264,265	75,705
Early retirement	83,373	208,731	17,250	274,854	93,259
Total	\$ 2,548,074	\$ 1,243,376	\$ 371,730	\$ 3,419,720	\$ 502,628

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed twenty years of service to the District, of which fifteen years must be consecutive. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement incentives are equal to a cash payment equal to the employee's current salary minus the current base. Early retirement expenditures for the year ended June 30, 2005 totaled \$17,250.

General Obligation Bonds Payable

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

Year Ended June 30,	Refunding Bond Issue March 1, 1995			
	Interest Rates	Principal	Interest	Total
2006	4.65-4.70%	\$ 235,000	\$ 91,884	\$ 326,884
2007	4.70-4.80%	245,000	80,750	325,750
2008	4.80-4.90%	255,000	68,930	323,930
2009	4.90-5.00%	270,000	56,253	326,253
2010	5.00-5.15%	280,000	42,696	322,696
2011	5.15-5.20%	300,000	28,123	328,123
2012	5.20-5.25%	315,000	12,430	327,430
Total		\$ 1,900,000	\$ 381,066	\$ 2,281,066

During the year ended June 30, 2005, the District made principal and interest payments totaling \$322,175 under the agreement.

Prior Year Debt Defeasance

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investment and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes the debt has been considered defeased and therefore removed as a liability from the District's Long-Term Debt. As of June 30, 2005, the amount of defeased debt outstanding but removed from the Long-Term Debt amounted to \$1,875,000.

Capital Leases

The District has leased fitness equipment, computers, and laptop computers, which are being accounted for as capital leases. The following is a schedule of future lease payments under the capital leases, as of June 30, 2005.

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Fitness equipment	\$ 8,319	\$ -	\$ 8,319	\$ -	\$ -
Computers	-	38,700	19,976	18,724	18,724
Laptop computers	-	95,945	34,068	61,877	29,940
Total	\$ 8,319	\$ 134,645	\$ 62,363	\$ 80,601	\$ 48,664

During the year ended June 30, 2005, the District made principal and interest payments totaling \$62,429 under the agreements.

Revenue Bond Payable

Details of the District's June 30, 2005 revenue bond indebtedness are as follow:

Year Ended June 30,	Revenue Bond Issued August 4, 2004			
	Interest Rates	Principal	Interest	Total
2006	2.40%	\$ 50,000	\$ 48,976	\$ 98,976
2007	2.75%	85,000	32,626	117,626
2008	3.15%	85,000	30,119	115,119
2009	3.50%	85,000	27,293	112,293
2010	3.75%	90,000	24,117	114,117
2011	4.10%	95,000	20,483	115,483
2012	4.30%	95,000	16,492	111,492
2013	4.45%	100,000	12,225	112,225
2014	4.60%	105,000	7,585	112,585
2015	4.70%	110,000	2,585	112,585
Total		\$ 900,000	\$ 222,501	\$ 1,122,501

During the year ended June 30, 2005, the District made no principal or interest payments under the agreement.

Capital Loan Notes

The District issued \$482,146 of capital loan notes during the year ended June 30, 2003 to finance a heating and air conditioning project at the high school. The payments are due are follows:

Year Ended June 30,	Interest Rates	Principal	Interest	Total
2006	4.65%	\$ 75,705	\$ 12,295	\$ 88,000
2007	4.48%	79,537	8,463	88,000
2008	4.05%	83,564	4,436	88,000
2009	4.00%	25,519	645	26,164
Total		\$ 264,325	\$ 25,839	\$ 290,164

During the year ended June 30, 2005, the District made principal and interest payments totaling \$88,000 under the agreements.

(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 covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$165,334, \$159,526, and \$156,289, respectively, equal to the required contributions for each year.

(7) **Risk Management**

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

(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 \$178,953 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.

(9) Commitments

The Grundy Center Community School District has entered into a 28E Agreement with the City of Grundy Center to establish a joint board for the operation and maintenance of a sports complex upon property owned by the City. The District agrees to make lease payments to the City per the 28E Agreement of \$10,000 each year.

Required Supplementary Information

Grundy Center Community School District

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances --
Budget and Actual -- All Governmental Funds and Proprietary Fund**

Required Supplementary Information

Year Ended June 30, 2005

	Governmental Funds Actual		Proprietary Fund Actual
Receipts:			
Local sources	\$ 3,716,168	\$	177,354
Intermediate sources	-		-
State sources	2,498,444		3,603
Federal sources	99,457		96,426
Total Receipts	<u>\$ 6,314,069</u>	\$	<u>277,383</u>
Disbursements:			
Instruction	\$ 3,605,821	\$	-
Support services	1,603,820		-
Non-instructional programs	370		309,357
Other expenditures	1,560,106		-
Total Disbursements	<u>\$ 6,770,117</u>	\$	<u>309,357</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -456,048	\$	-31,974
Other financing sources, net	902,000		-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 445,952	\$	-31,974
Balances beginning of year	1,146,530		77,522
Balances End of Year	<u>\$ 1,592,482</u>	\$	<u>45,548</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts		Final To Actual Variance
		Original	Final	
\$	3,893,522	\$ 4,256,094	\$ 4,256,094	\$ -362,572
	-	-	-	-
	2,502,047	2,541,334	2,541,334	-39,287
	195,883	187,500	187,500	8,383
\$	6,591,452	\$ 6,984,928	\$ 6,984,928	\$ -393,476
<hr/>				
\$	3,605,821	\$ 4,117,000	\$ 4,117,000	\$ 511,179
	1,603,820	1,883,499	1,883,499	279,679
	309,727	290,000	290,000	-19,727
	1,560,106	622,702	1,576,746	16,640
\$	7,079,474	\$ 6,913,201	\$ 7,867,245	\$ 787,771
<hr/>				
\$	-488,022	\$ 71,727	\$ -882,317	\$ 394,295
	902,000	7,868	7,868	894,132
<hr/>				
\$	413,978	\$ 79,595	\$ -874,449	\$ 1,288,427
	1,224,052	1,021,187	1,021,187	202,865
<hr/>				
\$	1,638,030	\$ 1,100,782	\$ 146,738	\$ 1,491,292

Grundy Center 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 accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$954,044.

During the year ended June 30, 2005, disbursements in the non-instructional programs function exceeded the amount budgeted.

Other Supplementary Information

Grundy Center Community School District

Combining Balance Sheet
Non-Major Special Revenue Funds

June 30, 2005

	Debt Service	Physical Plant and Equipment Levy	Student Activity	Total
Assets				
Cash and pooled investments	\$ 8,645	\$ 38,168	\$ 148,918	\$ 195,731
Receivables:				
Property Tax:				
Delinquent	4,997	3,769	-	8,766
Succeeding year	327,084	243,177	-	570,261
Accounts	-	-	757	757
Total Assets	\$ 340,726	\$ 285,114	\$ 149,675	\$ 775,515
Liabilities & Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 6,157	\$ 6,157
Deferred Revenue:				
Succeeding year property tax	327,084	243,177	-	570,261
Total Liabilities	\$ 327,084	\$ 243,177	\$ 6,157	\$ 576,418
Fund Equity:				
Unreserved fund balances	\$ 13,642	\$ 41,937	\$ 143,518	\$ 199,097
Total Liabilities & Fund Equity	\$ 340,726	\$ 285,114	\$ 149,675	\$ 775,515

Grundy Center Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Special Revenue Funds

Year Ended June 30, 2005

	Debt Service	Physical Plant and Equipment Levy	Student Activity	Total
Revenues:				
Local Sources:				
Local tax	\$ 321,568	\$ 242,508	\$ -	\$ 564,076
Other	3,355	10,024	323,976	337,355
State sources	255	192	-	447
Total Revenues	\$ 325,178	\$ 252,724	\$ 323,976	\$ 901,878
Expenditures:				
Current:				
Instruction:				
Other instruction	\$ -	\$ -	\$ 288,806	\$ 288,806
Support Services:				
Operation and maintenance of plant services	-	25,869	-	25,869
Other Expenditures:				
Facilities acquisition	-	4,081	-	4,081
Long-term debt:				
Principal	354,479	-	-	354,479
Interest	118,524	-	-	118,524
Total Expenditures	\$ 473,003	\$ 29,950	\$ 288,806	\$ 791,759
Excess (deficiency) of revenues over (under) expenditures	\$ -147,825	\$ 222,774	\$ 35,170	\$ 110,119
Other Financing Sources (Uses):				
Operating transfers in	\$ 150,429	\$ -	\$ -	\$ 150,429
Operating transfer out	-	-150,429	-	-150,429
Total Other Financing Sources (Uses)	\$ 150,429	\$ -150,429	\$ -	\$ -
Excess of revenues & other financing sources over expenditures & other financing uses	\$ 2,604	\$ 72,345	\$ 35,170	\$ 110,119
Fund balances beginning of year	11,038	-30,408	108,348	88,978
Fund Balances End of Year	\$ 13,642	\$ 41,937	\$ 143,518	\$ 199,097

Grundy Center Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2005

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Change	\$ 214	\$ -	\$ -	\$ -	\$ 214
Interest on investments	4,159	1,532	71	-	5,620
Student activity ticket sales	6	-29	-	-	-23
Class of 1997-2003	3,571	-	197	1,967	5,341
Class of 2004	1,967	-	-	-1,967	-
Class of 2005	5,045	75	3,963	-	1,157
Class of 2006	754	9,620	7,786	-	2,588
Class of 2007	719	269	-	-	988
Class of 2008	-	1,855	657	-	1,198
Class of 2009	-	13	-	-	13
Cross country	-962	3,898	3,967	-	-1,031
Dance team	1,114	8,670	8,011	-	1,773
Vocal music	4,250	766	467	-	4,549
Foreign student club	14	-	-	-	14
Spirit force (Pep club)	-401	-	-	-	-401
Drama/speech	1,642	8,252	8,109	-	1,785
Sharks	266	-	-	-	266
Elementary vocal music	1,101	78	-	-	1,179
Annual	11,891	10,397	10,274	-	12,014
Band	-1,869	1,625	506	-	-750
TSA	236	588	770	-	54
Mexico trip	1	-	-	-	1
Middle School student senate	13,697	17,673	15,898	-	15,472
National Honor Society	-249	-	375	-	-624
Athletic Boosters Concessions	10,071	24,417	19,012	-	15,476
High School student senate	2,225	9,850	10,841	-	1,234
Art club	785	572	908	-	449
Spanish club	4	-	-	-	4
TAG club	2,011	1,485	456	-	3,040
Middle School fund	1,090	810	-	-	1,900
Elementary student senate	19,870	64,267	24,245	-	59,892
FFA	1,653	18,869	16,960	-	3,562
Fellowship of Christian Athletes	372	-	-	-	372
G club	-2,467	65	-	-	-2,402
Girls softball	-3,562	5,041	6,653	-	-5,174
Boys basketball	21,308	6,993	6,129	-	22,172
Football	7,908	16,014	18,474	-	5,448
Boys baseball	-5,012	14,598	16,083	-	-6,497
Boys track	-6,266	4,185	4,128	-	-6,209
Boys tennis	114	1,274	830	-	558
Boys golf	-239	1,130	923	-	-32
Athletics-general	-5,360	6,729	18,622	-	-17,253
GC Jazz	-1,229	4,673	3,038	-	406

Grundy Center Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2005

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Concessions	\$ 1,175	\$ -	\$ -	\$ -	\$ 1,175
Wrestling	1,771	1,477	526	-	2,722
Girls basketball	7,991	37,195	35,947	-	9,239
Girls volleyball	13,756	19,682	21,042	-	12,396
Girls track	-6,119	4,716	3,972	-	-5,375
Girls tennis	-450	1,328	1,143	-	-265
Girls golf	-2,734	895	1,447	-	-3,286
Cheerleaders	127	3,904	4,407	-	-376
Camps	3,411	-	2,352	-	1,059
Academic Decathlon	-1,022	8,525	9,617	-	-2,114
Totals	\$ 108,348	\$ 323,976	\$ 288,806	\$ -	\$ 143,518

Grundy Center Community School District
Schedule of Changes in Fiduciary Assets and Liabilities --
Agency Funds

Year ended June 30, 2005

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 4,237	\$ 1,668	\$ 640	\$ 5,265
Total Assets	<u>\$ 4,237</u>			<u>\$ 5,265</u>
Liabilities				
Accounts payable	\$ 4,237	\$ 5,265	\$ 4,237	\$ 5,265
Total Liabilities	<u>\$ 4,237</u>			<u>\$ 5,265</u>

Grundy Center Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Three Years

	Modified Accrual Basis		
	2005	2004	2003
Revenues:			
Local Sources:			
Local tax	\$ 2,395,998	\$ 2,540,526	\$ 2,339,926
Tuition	487,874	462,348	439,877
Other	832,296	638,944	588,048
Intermediate sources	-	-	-
State sources	2,498,444	2,323,697	2,394,099
Federal sources	99,457	104,417	79,237
Total	\$ 6,314,069	\$ 6,069,932	\$ 5,841,187
Expenditures:			
Instruction:			
Regular instruction	\$ 2,178,448	\$ 2,110,808	\$ 2,269,308
Special instruction	640,435	674,859	579,849
Other instruction	786,938	676,753	491,869
Support services:			
Student services	110,848	226,532	187,793
Instructional staff services	191,869	106,114	102,539
Administration services	576,288	583,209	604,913
Operation and maintenance of plant services	502,216	555,027	457,954
Transportation services	222,599	242,887	188,982
Central support services	-	-	103,861
Non-instructional programs	370	7,000	56
Other expenditures:			
Facilities acquisition	908,150	22,705	425,804
Long-term debt:			
Principal	354,479	363,194	356,260
Interest and other charges	118,524	133,838	142,905
AEA flow-through	178,953	179,854	192,024
Total	\$ 6,770,117	\$ 5,882,780	\$ 6,104,117

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

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

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Grundy Center Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated August 9, 2005. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe I-A-05 is a material weakness.

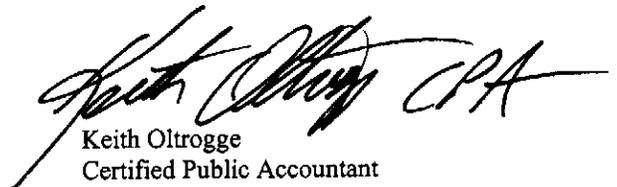
Compliance and Other Matters

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

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

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

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



Keith Oltrogge
Certified Public Accountant

August 9, 2005

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2005

Part I – Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

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

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

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

Conclusion – Response accepted.

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2005

Part II - Other Findings Related to Statutory Reporting:

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

II-B-05 Certified Budget - Disbursements for the year ended June 30, 2005 exceeded the amended certified budget amounts in the non-instructional program function.

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

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

Conclusion - Response accepted.

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

II-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-05 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

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

II-H-05 Certified Enrollment - The number of basic resident students reported to the Iowa Department of Education on line 1 of the Certified Enrollment Certification Form for September 2004 was understated. The District's certified enrollment count did not include four alternative school students in line 1. This resulted in understating the total actual enrollment at line 7 by four students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

II-I-05 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-05 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and I noted no significant deficiencies in the amounts reported.

II-K-05 Deficit Balances – Sixteen student activity accounts had deficit balances at June 30, 2005.

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

Response – The District is investigating alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.