

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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Guthrie Center Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2004 Election)</b>		
Ed Langgard	President	2006
Keith Stetzel	Vice President	2004
Nancy Coffman	Board Member	2005
Mary Jane Venteicher	Board Member (Resigned)	2005
Jamie Patrick	Board Member (Appointed)	2005
Curt Sloss	Board Member	2006
<b>Board of Education (After September 2004 Election)</b>		
Ed Langgard	President	2006
Nancy Coffman	Vice President	2005
Keith Stetzel	Board Member	2007
Jamie Patrick	Board Member	2005
Curt Sloss	Board Member	2006
<b>School Officials</b>		
Steve Smith	Superintendent	2005
Joni Rees	District Secretary/Treasurer and Business Manager	2005
Rick Engel	Attorney	2005

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Guthrie Center Community School District, Guthrie 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. 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 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 Guthrie Center Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 17, 2005 on our consideration of the Guthrie Center 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with 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 12 and 32 through 35 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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Guthrie Center Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the 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 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

October 17, 2005

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

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

### **2004 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$3,953,258 in fiscal 2004 to \$4,117,475 in fiscal 2005, while General Fund expenditures increased from \$3,874,776 in fiscal 2004 to \$4,022,004 in fiscal 2005. This resulted in an increase in the District's General Fund balance from \$5,146 in fiscal 2004 to a balance of \$101,608 in fiscal 2005.
- The increase in General Fund revenues was attributable to an increase in property tax and state grant revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in expenditures in the other instruction functional area.
- An increase in interest rates during the past fiscal year, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from \$5,340 in fiscal year 2004 to \$16,360 in fiscal year 2005.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

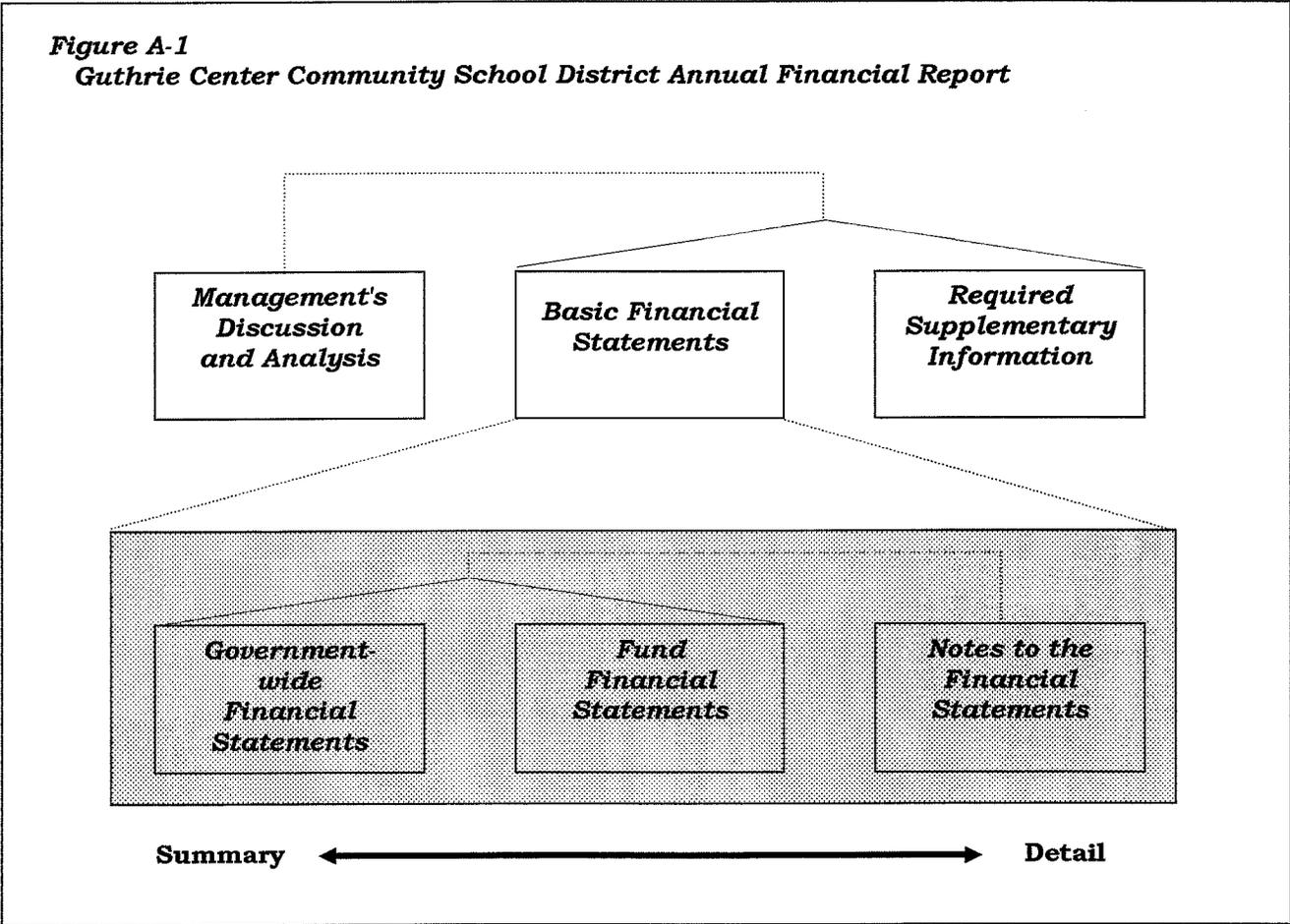


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

The District has two kinds of funds:

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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	\$ 2,457,851	2,516,779	28,219	24,975	2,486,070	2,541,754	-2.19%
Capital assets	3,914,306	3,704,502	9,026	9,206	3,923,332	3,713,708	5.64%
Total assets	6,372,157	6,221,281	37,245	34,181	6,409,402	6,255,462	2.46%
Long-term obligations	724,666	840,271	0	0	724,666	840,271	-13.76%
Other liabilities	2,094,877	2,111,234	15,709	17,533	2,110,586	2,128,767	-0.85%
Total liabilities	2,819,543	2,951,505	15,709	17,533	2,835,252	2,969,038	-4.51%
Net assets:							
Invested in capital assets, net of related debt	3,243,458	2,957,642	9,026	9,206	3,252,484	2,966,848	9.63%
Restricted	229,082	273,266	0	0	229,082	273,266	-16.17%
Unrestricted	80,074	38,868	12,510	7,442	92,584	46,310	99.92%
Total net assets	\$ 3,552,614	3,269,776	21,536	16,648	3,574,150	3,286,424	8.75%

The District's combined net assets increased by 8.75%, or approximately \$287,726, 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 decreased approximately \$44,184, or 16.17% over the prior year. The decrease was primarily a result of increased expenditures in the Physical Plant and Equipment Levy Fund and Capital Projects Fund.

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 approximately \$46,274, or 99.92%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005 compared to June 30, 2004.

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
Revenues:							
Program revenues:							
Charges for services	\$ 568,514	605,346	107,522	92,583	676,036	697,929	-3.14%
Operating grants and contributions and restricted interest	622,228	612,814	109,044	106,797	731,272	719,611	1.62%
Capital grants and contributions and restricted interest	0	25,000	0	0	0	25,000	-100.00%
General revenues:							
Property tax	1,782,578	1,673,830	0	0	1,782,578	1,673,830	6.50%
Local option sales tax	874	0	0	0	874	0	100.00%
Unrestricted state grants	1,837,487	1,610,833	0	0	1,837,487	1,610,833	14.07%
Other	16,360	11,034	73	12	16,433	11,046	48.77%
Total revenues	4,828,041	4,538,857	216,639	199,392	5,044,680	4,738,249	6.47%
Program expenses:							
Governmental activities:							
Instructional	3,033,188	2,881,551	0	0	3,033,188	2,881,551	5.26%
Support services	1,149,493	1,188,226	0	0	1,149,493	1,188,226	-3.26%
Non-instructional programs	0	0	211,751	197,702	211,751	197,702	7.11%
Other expenditures	363,513	301,861	0	0	363,513	301,861	20.42%
Total expenses	4,546,194	4,371,638	211,751	197,702	4,757,945	4,569,340	4.13%
Excess of revenues over expenses	281,847	167,219	4,888	1,690	286,735	168,909	69.76%
Other financing sources, net	991	0	0	0	991	0	100.00%
Change in net assets	282,838	167,219	4,888	1,690	287,726	168,909	70.34%
Net assets beginning of year	3,269,776	3,102,557	16,648	14,958	3,286,424	3,117,515	5.42%
Net assets end of year	\$ 3,552,614	3,269,776	21,536	16,648	3,574,150	3,286,424	8.75%

Property tax, local option sales and service tax and unrestricted state grants account for 72% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 88% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$4,828,041 and expenses were \$4,546,194.

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	\$ 3,033,188	2,074,608
Support services	1,149,493	1,149,493
Other expenditures	363,513	131,351
Totals	\$ 4,546,194	3,355,452

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- The cost financed by users of the District's programs was \$568,514.
  - Federal and state governments subsidized certain programs with grants and contributions totaling \$622,228.
  - The net cost of governmental activities was financed with \$1,782,578 in property tax, \$1,837,487 in state foundation aid, \$16,360 in interest income and \$991 as a gain on sale of capital assets.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$216,639 and expenses were \$211,751. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$291,182, below last year's ending fund balances of a \$326,489.

### **Governmental Fund Highlights**

The District's improving General Fund financial position from \$5,146 to \$101,608 is the product of many factors:

- Increase in state grants and increase in tax levy during the year resulted in an increase in revenues.
- The increase in expenditures was less than the increase in revenues resulting in a net increase of \$96,462.
- The Physical Plant and Equipment Levy Fund balance decreased from \$171,319 in fiscal 2004 to \$80,406 in fiscal 2005. This is due to decreased tax revenues and increased expenditures. The increase in expenditures is mainly attributed to the purchase of a new bus, a new pickup, and two new suburbans.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$16,648 at June 30, 2004 to \$21,536 at June 30, 2005, representing an increase of 29.4%.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Guthrie Center Community School District amended its annual budget one time to reflect additional expenditures associated with the other expenditures and support services functional areas. Total District expenditures were increased by \$221,692 to cover increased expenditures for new vehicles, utility costs, and building projects in process.

The District's revenues were \$309,386 more than budgeted revenues, a variance of 6%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2005, the District had invested \$3,923,332, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$202,840.

The original cost of the District's capital assets was \$6,553,142. Governmental funds account for \$6,500,700 with the remaining of \$52,442 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$48,423 at June 30, 2004, compared to \$198,718 reported at June 30, 2005. This increase resulted from current capital asset projects being completed for the District. These projects include the student's project house, new concession stand, and improvements to the wrestling facilities.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total Change 2004-05
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
Land	\$ 49,800	49,800	0	0	49,800	49,800	0.00%
Construction in progress	198,718	48,423	0	0	198,718	48,423	310.38%
Buildings	3,314,184	3,317,468	0	0	3,314,184	3,317,468	-0.10%
Land improvements	174,669	191,034	0	0	174,669	191,034	-8.57%
Machinery and equipment	176,935	97,777	9,026	9,206	185,961	106,983	73.82%
Total	\$ 3,914,306	3,704,502	9,026	9,206	3,923,332	3,713,708	5.64%

**Long-Term Debt**

At June 30, 2005, the District had \$724,666 in general obligation and other long-term debt outstanding. This represents a decrease of 13.8% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$705,000 at June 30, 2005.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$19,666 at June 30, 2005.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
General Obligation Bonds	\$ 705,000	780,000	-9.6%
Early Retirement	19,666	60,271	-67.4%
	<u>\$ 724,666</u>	<u>840,271</u>	<u>-13.8%</u>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The one cent tax on sales and services will continue to be a great benefit to the District in maintaining buildings, purchasing equipment and debt repayment.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joni Rees, Board Secretary, Guthrie Center Community School District, 906 School Street, Guthrie Center, Iowa, 50115.

BASIC FINANCIAL STATEMENTS

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 577,316	24,016	601,332
Receivables:			
Property tax:			
Delinquent	36,888	0	36,888
Succeeding year	1,668,665	0	1,668,665
Income surtax	81,069	0	81,069
Due from other governments	93,913	0	93,913
Inventories	0	4,203	4,203
Capital assets, net of accumulated depreciation(Note 3)	3,914,306	9,026	3,923,332
<b>TOTAL ASSETS</b>	<b>6,372,157</b>	<b>37,245</b>	<b>6,409,402</b>
<b>LIABILITIES</b>			
Accounts payable	15,274	0	15,274
Salaries and benefits payable	401,661	13,507	415,168
Interest payable	5,255	0	5,255
ISEBA assessment payable(Note 6)	4,022	0	4,022
Deferred revenue:			
Succeeding year property tax	1,668,665	0	1,668,665
Other	0	2,202	2,202
Long-term liabilities(Note 4):			
Portion due within one year:			
General obligation bonds payable	80,000	0	80,000
Early retirement payable	19,666	0	19,666
Portion due after one year:			
General obligation bonds payable	625,000	0	625,000
<b>TOTAL LIABILITIES</b>	<b>2,819,543</b>	<b>15,709</b>	<b>2,835,252</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	3,243,458	9,026	3,252,484
Restricted for:			
Teacher compensation	534	0	534
Early intervention	64,564	0	64,564
Phase III	27	0	27
Talented and gifted	8,544	0	8,544
Management	37,045	0	37,045
Physical plant and equipment levy	80,406	0	80,406
Other special revenue purposes	37,962	0	37,962
Unrestricted	80,074	12,510	92,584
<b>TOTAL NET ASSETS</b>	<b>\$ 3,552,614</b>	<b>21,536</b>	<b>3,574,150</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 1,811,907	239,524	390,066
Special instruction	595,563	72,579	0
Other instruction	625,718	256,411	0
	<u>3,033,188</u>	<u>568,514</u>	<u>390,066</u>
Support services:			
Student services	92,388	0	0
Instructional staff services	116,313	0	0
Administration services	403,436	0	0
Operation and maintenance of plant services	395,918	0	0
Transportation services	141,438	0	0
	<u>1,149,493</u>	<u>0</u>	<u>0</u>
Other expenditures:			
Facilities acquisitions	53,933	0	92,338
Long-term debt interest and fiscal charges	34,462	0	0
AEA flowthrough	139,824	0	139,824
Depreciation (unallocated) *	135,294	0	0
	<u>363,513</u>	<u>0</u>	<u>232,162</u>
Total governmental activities	4,546,194	568,514	622,228
Business-Type activities:			
Non-instructional programs:			
Nutrition services	211,751	107,522	109,044
Total business-type activities	<u>211,751</u>	<u>107,522</u>	<u>109,044</u>
Total	<u>\$ 4,757,945</u>	<u>676,036</u>	<u>731,272</u>

**General Revenues:**

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

Total general revenues

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
(1,182,317)	0	(1,182,317)
(522,984)	0	(522,984)
(369,307)	0	(369,307)
<u>(2,074,608)</u>	<u>0</u>	<u>(2,074,608)</u>
(92,388)	0	(92,388)
(116,313)	0	(116,313)
(403,436)	0	(403,436)
(395,918)	0	(395,918)
(141,438)	0	(141,438)
<u>(1,149,493)</u>	<u>0</u>	<u>(1,149,493)</u>
38,405	0	38,405
(34,462)	0	(34,462)
0	0	0
(135,294)	0	(135,294)
<u>(131,351)</u>	<u>0</u>	<u>(131,351)</u>
(3,355,452)	0	(3,355,452)
0	4,815	4,815
0	4,815	4,815
<u>(3,355,452)</u>	<u>4,815</u>	<u>(3,350,637)</u>
\$ 1,490,143	0	1,490,143
182,640	0	182,640
109,795	0	109,795
874	0	874
1,837,487	0	1,837,487
16,360	73	16,433
991	0	991
<u>3,638,290</u>	<u>73</u>	<u>3,638,363</u>
282,838	4,888	287,726
<u>3,269,776</u>	<u>16,648</u>	<u>3,286,424</u>
<u>\$ 3,552,614</u>	<u>21,536</u>	<u>3,574,150</u>

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	General	Physical Plant and Equipment Levy	Other Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 390,898	81,988	104,430	577,316
Receivables:				
Property tax				
Delinquent	28,640	3,928	4,320	36,888
Succeeding year	1,294,974	181,761	191,930	1,668,665
Income surtax	81,069	0	0	81,069
Due from other governments	93,495	0	418	93,913
<b>TOTAL ASSETS</b>	<b>\$ 1,889,076</b>	<b>267,677</b>	<b>301,098</b>	<b>2,457,851</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 9,764	5,510	0	15,274
Salaries and benefits payable	401,661	0	0	401,661
Deferred revenue:				
Succeeding year property tax	1,294,974	181,761	191,930	1,668,665
Income surtax	81,069	0	0	81,069
<b>Total liabilities</b>	<b>1,787,468</b>	<b>187,271</b>	<b>191,930</b>	<b>2,166,669</b>
Fund balances:				
Reserved for:				
Debt service	0	0	39,407	39,407
Phase III	27	0	0	27
Teacher compensation	534	0	0	534
Early intervention	64,564	0	0	64,564
Talented and gifted	8,544	0	0	8,544
Unreserved:				
Undesignated	27,939	80,406	69,761	178,106
<b>Total fund balances</b>	<b>101,608</b>	<b>80,406</b>	<b>109,168</b>	<b>291,182</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,889,076</b>	<b>267,677</b>	<b>301,098</b>	<b>2,457,851</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds (page 16)</b>	\$	291,182
 <b>Amounts reported for governmental activities in the statement of net assets are different because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		3,914,306
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		81,069
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(5,255)
ISEBA assessment payable, is not yet due and payable in the current period due to the completion of a lawsuit settlement and, therefore, is not reported as a liability in the governmental funds.		(4,022)
Long-term liabilities, including general obligation bonds and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(724,666)
		(724,666)
<b>Net assets of governmental activities (page 13)</b>	<b>\$</b>	<b><u>3,552,614</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Physical Plant and Equipment Levy	Other Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,403,978	182,640	200,582	1,787,200
Tuition	312,103	0	0	312,103
Other	41,133	1,908	328,904	371,945
State sources	2,150,994	134	146	2,151,274
Federal sources	209,267	0	0	209,267
Total revenues	4,117,475	184,682	529,632	4,831,789
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	1,709,701	0	75,850	1,785,551
Special instruction	595,563	0	0	595,563
Other instruction	461,402	0	235,620	697,022
	2,766,666	0	311,470	3,078,136
Support services:				
Student services	92,388	0	0	92,388
Instructional staff services	116,313	0	0	116,313
Administration services	437,234	0	7,374	444,608
Operation and maintenance of plant services	363,855	35,606	17,089	416,550
Transportation services	105,724	100,574	6,463	212,761
	1,115,514	136,180	30,926	1,282,620
Other expenditures:				
Facilities acquisitions	0	139,415	118,124	257,539
Long-term debt:				
Principal	0	0	75,000	75,000
Interest and fiscal charges	0	0	34,968	34,968
AEA flowthrough	139,824	0	0	139,824
	139,824	139,415	228,092	507,331
Total expenditures	4,022,004	275,595	570,488	4,868,087
Excess(deficiency) of revenues over(under) expenditures	95,471	(90,913)	(40,856)	(36,298)
<b>OTHER FINANCING SOURCES:</b>				
Sale of equipment	991	0	0	991
Net change in fund balances	96,462	(90,913)	(40,856)	(35,307)
Fund balance beginning of year	5,146	171,319	150,024	326,489
Fund balance end of year	\$ 101,608	80,406	109,168	291,182

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds (page 18) \$ (35,307)

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year are as follows:

Expenditures for capital assets	\$ 363,110	
Depreciation expense	(153,306)	209,804

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. 75,000

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. 506

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (3,748)

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

Early Retirement	\$ 40,605	
ISEBA Assessment	(4,022)	36,583

Changes in net assets of governmental activities (page 15) \$ 282,838

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2005

	School Nutrition
<b>ASSETS</b>	
Cash and pooled investments	\$ 24,016
Inventories	4,203
Capital assets, net of accumulated depreciation (Note 3)	9,026
<b>TOTAL ASSETS</b>	<b>37,245</b>
 <b>LIABILITIES</b>	
Salaries and benefits payable	13,507
Deferred revenues:	
Other	2,202
<b>TOTAL LIABILITIES</b>	<b>15,709</b>
 <b>NET ASSETS</b>	
Investment in capital assets, net of related debt	9,026
Unrestricted	12,510
<b>TOTAL NET ASSETS</b>	<b>\$ 21,536</b>

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2005

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 107,522
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	71,769
Benefits	13,041
Services	1,885
Supplies	123,677
Depreciation	1,379
TOTAL OPERATING EXPENSES	211,751
OPERATING LOSS	(104,229)
NON-OPERATING REVENUES:	
State sources	3,515
Federal sources	105,529
Interest income	73
TOTAL NON-OPERATING REVENUES	109,117
Change in net assets	4,888
Net assets beginning of year	16,648
Net assets end of year	\$ 21,536

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE 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	\$ 103,911
Cash received from miscellaneous sources	666
Cash payments to employees for services	(83,647)
Cash payments to suppliers for goods or services	(114,530)
Net cash used in operating activities	(93,600)
Cash flows from non-capital financing activities:	
State grants received	3,515
Federal grants received	93,995
Net cash provided by non-capital financing activities	97,510
Cash flows from capital and related financing activities:	
Purchase of capital assets	(1,199)
Net cash used in capital and related financing activities	(1,199)
Cash flows from investing activities:	
Interest on investments	73
Net cash provided by investing activities	73
Net increase in cash and cash equivalents	2,784
Cash and cash equivalents at beginning of year	21,232
Cash and cash equivalents at end of year	\$ 24,016
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (104,229)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	11,534
Depreciation	1,379
Increase in inventories	(460)
Decrease in accounts payable	(42)
Increase in salaries and benefits payable	1,163
Decrease in deferred revenue	(2,945)
Net cash used in operating activities	\$ (93,600)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 24,016

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at \$11,534.

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed

from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, the District amended the budget one time increasing total expenditures by \$221,692.

**(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 Funds in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had no investments at June 30, 2005.

**(3) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 49,800	0	0	49,800
Construction in progress	48,423	198,718	48,423	198,718
Total capital assets not being depreciated	98,223	198,718	48,423	248,518
Capital assets being depreciated:				
Buildings	5,222,255	115,645	0	5,337,900
Land improvements	327,301	0	0	327,301
Machinery and equipment	489,811	145,325	48,155	586,981
Total capital assets being depreciated	6,039,367	260,970	48,155	6,252,182
Less accumulated depreciation for:				
Buildings	1,904,787	118,929	0	2,023,716
Land improvements	136,267	16,365	0	152,632
Machinery and equipment	392,034	66,167	48,155	410,046
Total accumulated depreciation	2,433,088	201,461	48,155	2,586,394
Total capital assets being depreciated, net	3,606,279	59,509	0	3,665,788
Governmental activities capital assets, net	\$ 3,704,502	258,227	48,423	3,914,306
Business-type activities:				
Machinery and equipment	\$ 51,243	1,199	0	52,442
Less accumulated depreciation	42,037	1,379	0	43,416
Business-type activities capital assets, net	\$ 9,206	(180)	0	9,026

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 29,616
Other		3,106
Support services:		
Operation and maintenance of plant		9,225
Transportation		24,220
		66,167
Unallocated depreciation		135,294
Total governmental activities depreciation expense		\$ 201,461
Business-type activities:		
Food services		\$ 1,379
Total business-type activities depreciation expense		\$ 1,379

#### (4) 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	\$ 780,000	0	75,000	705,000	80,000
Early Retirement	60,271	19,666	60,271	19,666	19,666
	\$ 840,271	19,666	135,271	724,666	99,666

General Obligation Bonds Payable

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

Year Ending June 30,	Bond issue of July 1, 2001			
	Interest Rates	Principal	Interest	Total
2006	4.10	80,000	31,530	111,530
2007	4.20	75,000	28,250	103,250
2008	4.30	80,000	25,100	105,100
2009	4.40	85,000	21,660	106,660
2010	4.50	90,000	17,920	107,920
2011	4.60	95,000	13,870	108,870
2012	4.70	100,000	9,500	109,500
2013	4.80	100,000	4,800	104,800
Total		\$ 705,000	152,630	857,630

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employee's base salary calculated by using the current year regular salary schedule. Early retirement benefits paid during the year ended June 30, 2005, totaled \$60,271. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

**(5) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 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 \$141,514, \$140,551, and \$130,612 respectively, equal to the required contributions for each year.

**(6) Risk Management**

The District was a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical 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 that terminated from ISEBA on June 30, 2004 received an assessment in December 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$3.9 million. The District's share of this assessment was \$4,022 which is recorded as a liability as of June 30, 2005.

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.

**(7) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$139,824 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.

**(8) Deficit Fund Balance**

The Capital Projects Fund had a deficit undesignated fund balance of \$24,912 at June 30, 2005.

**(9) Construction Commitment**

As of June 30, 2005, costs of \$198,718 had been incurred for the construction of a new concession stand, wrestling facility and student project house. When the construction is completed, the buildings will be added to the capital assets.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental Fund Types Actual	Proprietary Fund Type Actual
<b>Receipts:</b>		
Local sources	\$ 2,460,713	104,650
Intermediate sources	0	0
State sources	2,151,274	3,515
Federal sources	254,429	105,529
Total receipts	<u>4,866,416</u>	<u>213,694</u>
<b>Disbursements:</b>		
Instruction	3,057,561	0
Support services	1,299,115	0
Non-instructional programs	0	210,910
Other expenditures	501,821	0
Total disbursements	<u>4,858,497</u>	<u>210,910</u>
Excess (deficiency) of receipts over (under) disbursements	7,919	2,784
Other financing sources, net	991	0
Excess (deficiency) of receipts and other financing sources over (under) disbursements	8,910	2,784
Balance beginning of year	568,406	21,232
Balance end of year	<u>\$ 577,316</u>	<u>24,016</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,565,363	2,305,977	2,305,977	259,386
0	760	760	(760)
2,154,789	2,176,987	2,176,987	(22,198)
359,958	287,000	287,000	72,958
<u>5,080,110</u>	<u>4,770,724</u>	<u>4,770,724</u>	<u>309,386</u>
3,057,561	3,105,317	3,105,317	47,756
1,299,115	1,267,070	1,300,000	885
210,910	215,000	215,000	4,090
501,821	361,238	550,000	48,179
<u>5,069,407</u>	<u>4,948,625</u>	<u>5,170,317</u>	<u>100,910</u>
10,703	(177,901)	(399,593)	410,296
991	1,500	1,500	(509)
11,694	(176,401)	(398,093)	409,787
589,638	341,423	341,423	248,215
<u>601,332</u>	<u>165,022</u>	<u>(56,670)</u>	<u>658,002</u>

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

	Governmental Fund Types		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 4,866,416	(34,627)	4,831,789
Expenses	4,858,497	9,590	4,868,087
Net	7,919	(44,217)	(36,298)
Other financing sources	991	0	991
Beginning fund balances	568,406	(241,917)	326,489
Ending fund balances	\$ 577,316	(286,134)	291,182

	Proprietary Fund Type		
	Enterprise		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 213,694	2,945	216,639
Expenses	210,910	841	211,751
Net	2,784	2,104	4,888
Beginning net assets	21,232	(4,584)	16,648
Ending net assets	\$ 24,016	(2,480)	21,536

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GUTHRIE 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 comparison 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. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$221,692.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds					Total
	Manage- ment	Student Activity	Total Special Revenue Funds	Debt Service	Capital Projects	Other Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash and pooled investments	\$ 54,752	37,962	92,714	37,046	(25,330)	104,430
Receivables:						
Property tax:						
Delinquent	1,959	0	1,959	2,361	0	4,320
Succeeding year property tax	80,000	0	80,000	111,930	0	191,930
Due from other governments	0	0	0	0	418	418
<b>TOTAL ASSETS</b>	<b>\$ 136,711</b>	<b>37,962</b>	<b>174,673</b>	<b>151,337</b>	<b>(24,912)</b>	<b>301,098</b>
<b>LIABILITIES AND FUND EQUITY</b>						
Liabilities:						
Deferred revenue:						
Succeeding year property tax	80,000	0	80,000	111,930	0	191,930
	80,000	0	80,000	111,930	0	191,930
Fund equity:						
Fund balances:						
Unreserved, undesignated	56,711	37,962	94,673	39,407	(24,912)	109,168
	56,711	37,962	94,673	39,407	(24,912)	109,168
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 136,711</b>	<b>37,962</b>	<b>174,673</b>	<b>151,337</b>	<b>(24,912)</b>	<b>109,168</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds					Total
	Manage- ment	Student Activity	Total Special Revenue Funds	Debt Service	Capital Projects	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 89,913	0	89,913	109,795	874	200,582
Other	915	235,052	235,967	599	92,338	328,904
State sources	66	0	66	80	0	146
TOTAL REVENUES	90,894	235,052	325,946	110,474	93,212	529,632
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	75,850	0	75,850	0	0	75,850
Other instruction	0	235,620	235,620	0	0	235,620
Support services:						
Administration services	7,374	0	7,374	0	0	7,374
Operation and maintenance of plant services	17,089	0	17,089	0	0	17,089
Transportation services	6,463	0	6,463	0	0	6,463
Other expenditures:						
Facilities acquisition	0	0	0	0	118,124	118,124
Long-term debt:						
Principal	0	0	0	75,000	0	75,000
Interest and fiscal charges	0	0	0	34,968	0	34,968
TOTAL EXPENDITURES	106,776	235,620	342,396	109,968	118,124	570,488
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(15,882)	(568)	(16,450)	506	(24,912)	(40,856)
FUND BALANCE BEGINNING OF YEAR	72,593	38,530	111,123	38,901	0	150,024
FUND BALANCE END OF YEAR	\$ 56,711	37,962	94,673	39,407	(24,912)	109,168

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 2,876	757	3,633	0
Odyssey of Mind	2,678	9,922	9,832	2,768
Drama	1,923	2,113	799	3,237
Vocal Club	11,757	1,308	5,660	7,405
Band Club	(3,479)	2,204	2,979	(4,254)
Basketball	5,805	17,160	22,965	0
Football	7,982	26,490	34,472	0
Baseball/Softball	(14,885)	13,554	0	(1,331)
Track	(4,998)	3,434	0	(1,564)
Wrestling	(8,790)	13,587	6,338	(1,541)
Volleyball	(5,726)	4,775	591	(1,542)
Summer Little League	3,956	7,501	6,386	5,071
FFA	4,110	23,821	24,280	3,651
FCCLA	(57)	3,134	3,379	(302)
Honor Society	1,348	860	832	1,376
Student Council	2,236	12,903	12,749	2,390
Foreign Language	536	0	0	536
Art Club	654	508	446	716
Yearbook	(5,201)	20,526	19,321	(3,996)
Cheerleaders	261	17,678	20,597	(2,658)
Change Fund	(840)	265	0	(575)
General Fund	3,649	7,667	11,316	0
Student Activities	6,798	5,939	12,737	0
Weightlifting	218	50	0	268
JH Student Council	3,084	13,057	11,013	5,128
Extra Curricular	1,744	10,417	10,048	2,113
Elementary Fund	15,660	2,390	2,683	15,367
Class of 2003	188	0	188	0
Class of 2004	365	0	365	0
Class of 2005	3,998	1,472	4,806	664
Class of 2006	403	10,647	7,205	3,845
Class of 2007	277	325	0	602
Class of 2008	0	588	0	588
Total	\$ 38,530	235,052	235,620	37,962

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 1,787,200	1,673,830	1,491,203	1,401,151
Tuition	312,103	270,742	257,047	300,771
Other	371,945	344,208	218,073	208,611
Intermediate sources	0	0	300	2,685
State sources	2,151,274	1,917,582	1,778,243	1,724,550
Federal sources	209,267	331,065	204,056	96,543
<b>Total</b>	<b>\$ 4,831,789</b>	<b>4,537,427</b>	<b>3,948,922</b>	<b>3,734,311</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	\$ 1,785,551	1,779,400	1,655,602	1,510,812
Special instruction	595,563	593,548	548,696	473,044
Other instruction	697,022	500,945	486,875	448,700
Support services:				
Student services	92,388	108,849	70,531	74,380
Instructional staff services	116,313	101,570	101,752	82,608
Administration services	444,608	437,730	436,301	431,406
Operation and maintenance of plant services	416,550	374,308	366,086	428,083
Transportation services	212,761	109,573	106,067	103,717
Other expenditures:				
Facilities acquisitions	257,539	100,891	12,140	36,165
Long-term debt:				
Principal	75,000	70,000	70,000	65,000
Interest and fiscal charges	34,968	37,667	40,397	53,340
AEA flow-through	139,824	135,150	137,379	138,070
<b>Total</b>	<b>\$ 4,868,087</b>	<b>4,349,631</b>	<b>4,031,826</b>	<b>3,845,325</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

## **Certified Public Accountants**

(a professional corporation)

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Telephone (641) 792-1910

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

To the Board of Education of the  
Guthrie Center 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 Guthrie 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 our report thereon dated October 17, 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 Guthrie Center 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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-05 is a material weakness.

### Compliance and Other Matters

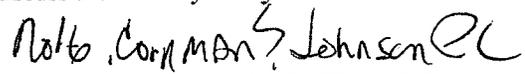
As part of obtaining reasonable assurance about whether Guthrie Center Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit 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 Guthrie Center Community School District and other parties to whom Guthrie 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.

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

October 17, 2005

GUTHRIE 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 the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

I-B-05 Authorized Check Signatures - In the Board minutes, Superintendent Smith is designated to sign Nutrition Fund checks in the absence of the Board President. According to District policy, the Vice President of the Board can sign checks in the absence of the Board President. Even so, some checks written from the Nutrition Fund only had the Superintendent's signature, not two signatures as required by Chapter 291.1 of the Code of Iowa.

Recommendation - The Board President or designated individual, and the Board Secretary are required to sign all checks written by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - We will make sure we have the necessary signatures.

Conclusion - Response accepted.

I-C-05 Supporting Documents for Payments with Credit Cards – The District has a policy in place for credit card usage that states the users of the credit cards need to provide detailed receipts for purchases made as well as the credit card receipt indicating the date, purpose, and nature of the expense for each claim item. Failure to do so makes the expense the responsibility of the employee that was responsible for the expense. Furthermore District policy states, in special circumstances the Superintendent or the Board can approve a claim without proper receipt but there needs to be written documentation explaining the circumstances.

We noted during our audit that payments made with the District credit card for meals during the SAI conference do not always have detailed supporting documentation. For meal expenses, the credit card receipt was submitted but there was no detail on the receipt to indicate whether the expense was solely for the employee of the District or the employee and his/her spouse.

Recommendation - The District should review this policy with employees using the District credit card and implement procedures to ensure that the policy is followed when submitting credit card receipts.

Response – We will have detailed receipts.

Conclusion – Response accepted.

GUTHRIE 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 - 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.

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

II-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.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Joni Rees, Board Secretary Spouse owns Rees Repair	Repairs	\$689
Kelly Nielsen, Teacher Graphics on T-shirts	Purchased Services	\$720

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

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transactions with the Kelly Nielsen do not appear to represent a conflict of interest.

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

II-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board

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

II-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.

II-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.

II-K-05 Financial Condition - The District had a deficit undesignated fund balance of \$24,912 in the Capital Projects Fund. The District also had several deficit account balances in the Special Revenue, Student Activity Fund.

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

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

Conclusion - Response accepted.