

GLENWOOD COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2006

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Glenwood Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 election)		
Bill Agan	President	2006
Linda Young	Vice President	2005
Theresa Romens	Board Member	2007
Frank Overhue	Board Member	2006
Nancy Krogstad	Board Member	2005
Board of Education (After September 2005 election)		
Linda Young	President	2008
Nancy Krogstad	Vice President	2008
Theresa Romens	Board Member	2007
Frank Overhue	Board Member	2006
Bill Agan	Board Member	2006
School Officials		
Dewitt Sibley	Superintendent	2006
Judy Picker	District Secretary/Treasurer and Business Manager	2006
Rick Franck	Attorney	2006

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Glenwood Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Glenwood Community School District, Glenwood, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Glenwood Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

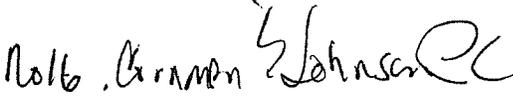
In accordance with Government Auditing Standards, we have also issued our reports dated October 10, 2006 on our consideration of the Glenwood Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 37 through 38 are not required parts of the basic financial statements, but are supplementary

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Glenwood Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

October 10, 2006

GLENWOOD COMMUNITY SCHOOL DISTRICT
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2006

The discussion and analysis of Glenwood Community School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

- The District passed a \$19,700,000 Bond Issue to build a new high school on March 28, 2006.
- The District purchased property and paid an earnest payment on an additional piece of property.
- The General Fund ending balance increased from \$2,902,189 in fiscal year 2005 to \$3,196,537 in fiscal year 2006.
- Set cash reserve levy at \$385,000 to help with cash flow purposes.
- The Local Sales and Services Tax for school infrastructure projects were in place for a full year.
- With 3rd and 4th grade professional development time focused on reading and math, 4th grade achievement scored increased in both curriculum areas.
- The Board approved \$47,000 to be used for Professional Development for the school year.
- The District increased the Technology Budget to \$100,000 for the school year.
- Improvements at the high school included a new phone system, a new computer lab and added two new servers in order to handle Power School.
- Replaced the air conditioning system at the Northeast Elementary.

Overview of the Financial Statements

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

- The first two statements are district-wide financial statements that provide both Short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short and long term financial information about the activities the District operates like businesses, such as food service and day care.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

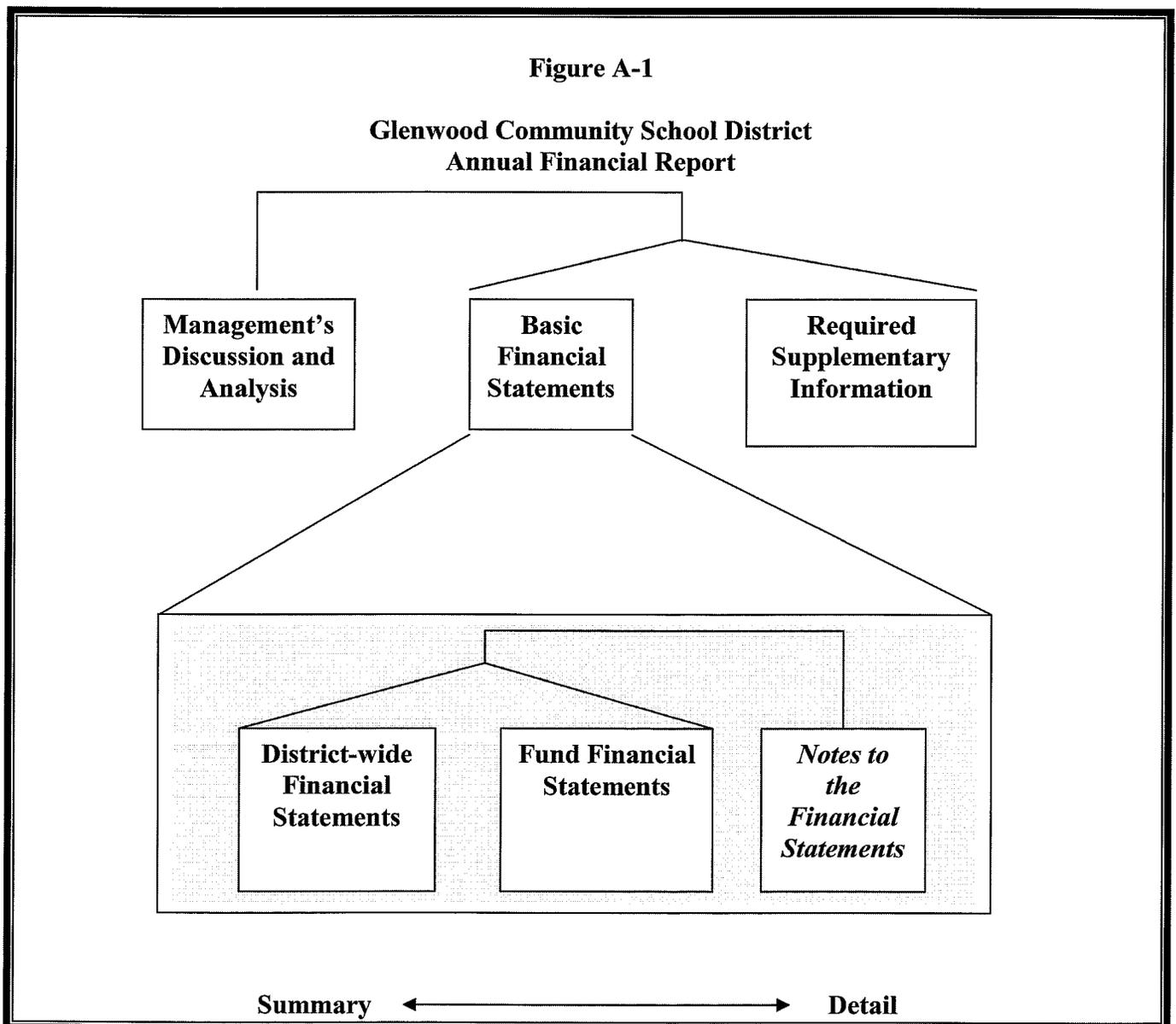


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents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

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

	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Propriety Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of cash flows 	<ul style="list-style-type: none"> • 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 focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term’ funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Financial Statements

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

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

- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school building and other facilities.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District's internal service fund is the same as its governmental activities and is charged back to the governmental funds in the entity-wide statements.
- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The School District as a Whole

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 22,416,343	11,863,603	439,449	214,831	22,855,792	12,078,434	47.15%
Capital assets	12,303,906	11,962,984	98,238	113,803	12,402,144	12,076,787	2.62%
Total assets	34,720,249	23,826,587	537,687	328,634	35,257,936	24,155,221	31.49%
Long-term obligations	14,160,779	4,677,731	10,286	0	14,171,065	4,677,731	66.99%
Other liabilities	7,928,692	7,314,382	13,386	10,801	7,942,078	7,325,183	7.77%
Total liabilities	22,089,471	11,992,113	23,672	10,801	22,113,143	12,002,914	45.72%
Net assets:							
Invested in capital assets, net of related debt	9,065,677	8,227,085	98,238	113,803	9,163,915	8,340,888	8.98%
Restricted	429,637	1,554,668	0	0	429,637	1,554,668	-261.86%
Unrestricted	3,135,464	2,052,721	415,777	204,030	3,551,241	2,256,751	36.45%
Total net assets	\$ 12,630,778	11,834,474	514,015	317,833	13,144,793	12,152,307	7.55%

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

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
	Revenues:						
Program revenues:							
Charges for services	\$ 1,850,051	1,763,963	939,795	823,408	2,789,846	2,587,371	7.83%
Operating grants and contributions and restricted interest	2,064,156	1,923,353	533,950	534,014	2,598,106	2,457,367	5.73%
Capital grants and contributions and restricted interest	0	315,995	0	0	0	315,995	-100.00%
General revenues:							
Property tax	5,865,113	5,694,369	0	0	5,865,113	5,694,369	3.00%
Local option sales and services tax	497,630	995,438	0	0	497,630	995,438	-50.01%
Unrestricted state grants	7,809,971	7,449,175	0	0	7,809,971	7,449,175	4.84%
Other	174,614	52,565	2,977	1,689	177,591	54,254	227.33%
Total revenues	18,261,535	18,194,858	1,476,722	1,359,111	19,738,257	16,966,598	16.34%
Program expenses:							
Governmental activities:							
Instructional	10,950,411	10,608,136	0	0	10,950,411	10,608,136	3.23%
Support services	4,962,157	4,366,163	0	0	4,962,157	4,366,163	13.65%
Non-instructional programs	0	255	1,376,865	1,262,786	1,376,865	1,263,041	9.01%
Other expenses	1,390,645	1,362,008	0	0	1,390,645	1,362,008	2.10%
Total expenses	17,303,213	16,336,562	1,376,865	1,262,786	18,680,078	17,599,348	6.14%
Changes in net assets	958,322	1,858,296	99,857	96,325	1,058,179	(632,750)	267.23%
Beginning net assets, as restated (Note 10)	11,672,456	9,976,178	414,158	317,833	12,086,614	10,294,011	17.41%
Ending net assets	\$ 12,630,778	11,834,474	514,015	414,158	13,144,793	9,661,261	36.06%

In fiscal 2006, property tax and unrestricted state grants account for 74.9% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.8% of the revenue from business type activities.

The District's total revenues were approximately \$19.74 million of which \$18.26 million was for governmental activities and \$1.48 million was for business type activities.

As shown in FigureA-4, the District as a whole experienced a 16.34% increase in revenues and a 6.14% increase in expenses. The increase in expenses related to increases in the negotiated salary and benefits.

Figure A-5

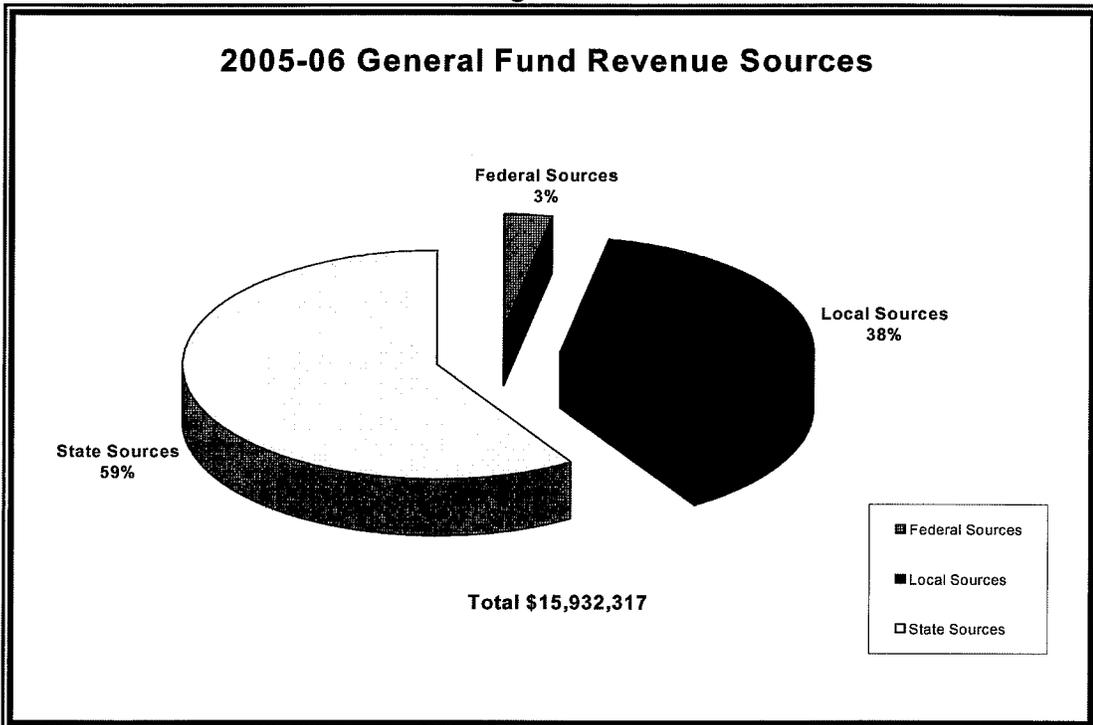
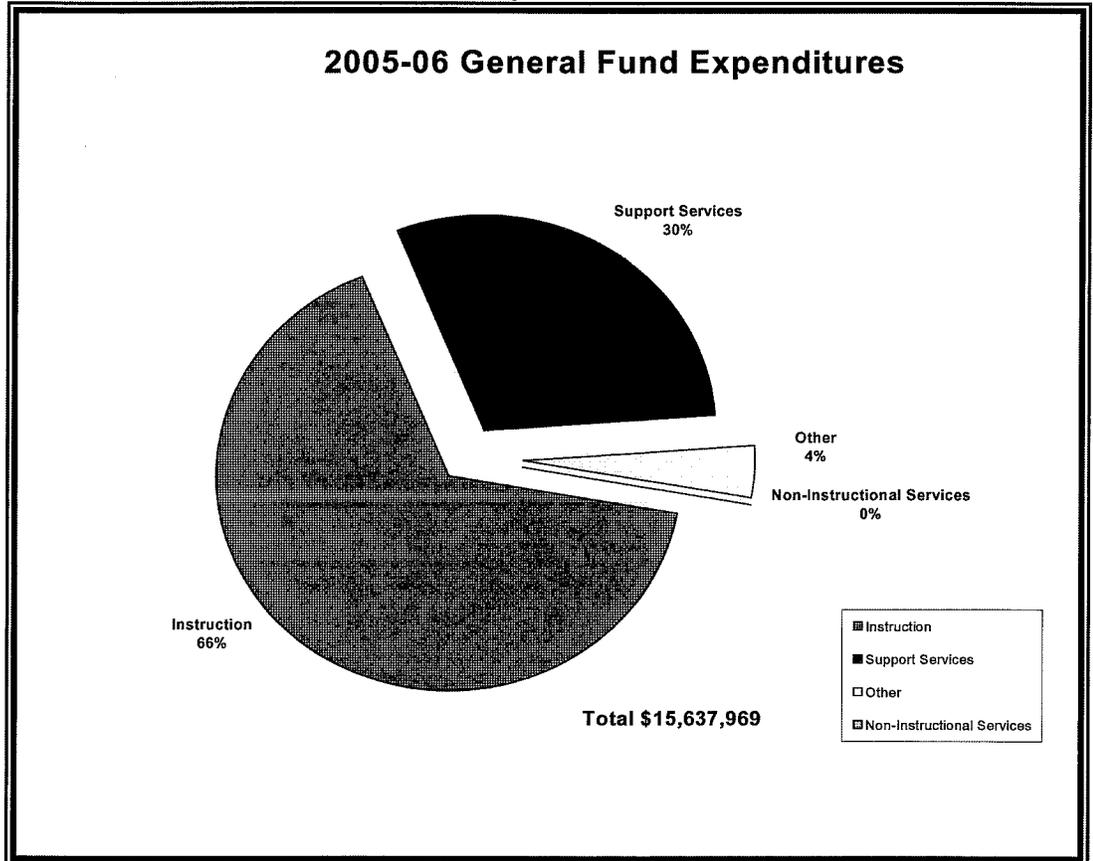


Figure A-6



Governmental Activities

Revenues for governmental activities were \$18,261,535 while expenses amounted to \$17,303,213.

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

Figure A-7
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 10,950,411	7,717,182
Support services	4,962,157	4,861,291
Other expenses	1,390,645	810,533
Totals	<u>\$ 17,303,213</u>	<u>13,389,006</u>

The cost financed by users of the District programs was \$1,850,051.

Federal and state governments subsidized certain programs with grants and contributions totaling \$2,064,156.

The net cost of governmental activities was financed with \$5,865,113 in property tax, \$497,630 in local option sales and services tax, \$7,809,971 in unrestricted state grants and \$128,120 in interest income.

Business-Type Activities

Revenues of the District's business-type activities increased from \$1,359,111 to \$1,476,722 while expenses increased also from \$1,253,863 to \$1,376,865. The District's business-type activities include the School Nutrition Fund and Day Care. Revenues of these activities were comprised of charges for services, federal and state reimbursements, grants and investment income.

During the year ended June 30, 2006, the Day Care received a \$10,000 West Central Development Grant for expansion and an Infant Care Incentive Grant to help with the cost of salaries in the under two years old rooms which resulted in ending the year on a positive note.

Financial Analysis of the District's Funds

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

The strong financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$14,551,813 an increase of \$9,973,249 above last year's ending fund balances of \$4,578,564. The

primary reason for the increase in combined fund balances in fiscal 2006 was due to the Local Option Sales Tax revenue and revenue from a new Bond Issue.

Governmental Fund Highlights

- The General Fund balance increased from \$2,902,189 to \$3,196,537 due in part to the great effort in trimming the expenditures and levying for cash reserve amount of \$385,000 for cash flow purposes.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$252,991 to \$222,240 due to using PPEL funds for earnest money towards land acquisition.
- The Capital Projects Fund balance increased from \$833,412 to \$10,531,564 because of the Local Option Sales Tax revenue and revenue from the sale of Bonds for the new high school project.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$329,478 in fiscal 2005 to \$368,216 in fiscal 2006, representing an increase of approximately 11.8 percent. The District joined the Iowa Consortium for purchasing food supplies which helped with the savings increase.

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

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

General Fund Budgetary Highlights

- The District's General Fund actual revenues and related instruction expenditures vary from the adopted budget because the District uses the procedure of adopting the maximum authorized budget and pertains to the General Fund of the district. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.
- The District's General Fund total actual revenues were \$1,003,081 less than the total budgeted receipts. In conjunction with the Districts budgeting practice the most significant change resulted in the District not receiving certain state and federal grants.

- The School District uses a site-based budget. The budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.
- General Fund revenues and other financing sources were more than expenditures and other financing uses by approximately \$294,348. The solvency ratio position of the School District is 14.9% which is within the targeted solvency position recommended by the state of 5% to 10%.

Capital Assets and Debt Administration

Capital Assets

By the end of fiscal 2006, the District had invested \$12,402,144, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, equipment and transportation equipment. This amount represents an increase from last year. Depreciation expense for the year was \$473,564.

The original cost of the District's capital assets was \$18.6 million. Governmental funds account for \$18.3 million with the remainder of \$.3 million in the Proprietary, School Nutrition Fund and Day Care.

Figure A-8

	Capital Assets, Net of Depreciation						
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 436,266	206,266	0	0	436,266	206,266	52.72%
Construction in progress	393,695	0	0	0	393,695	0	-100.00%
Buildings	10,891,948	11,165,042	0	0	10,891,948	11,165,042	-2.51%
Land improvements	78,001	94,248	0	0	78,001	94,248	-20.83%
Machinery and equipment	503,996	497,428	98,238	102,701	602,234	600,129	0.35%
Total	\$ 12,303,906	11,962,984	98,238	102,701	12,402,144	12,065,685	2.71%

Long-Term Debt

At year-end, the District had \$14,160,779 in general obligation debt and other long-term debt outstanding. This represents an increase of approximately 192.6 percent from last year.

Figure A-9

	Outstanding Long-Term Obligations		
	Total School District		Total Change
	2006	2005	
General obligation bonds	\$ 13,255,000	3,725,000	255.8%
Capital loan notes	600,000	885,000	-32.2%
Bus loans	110,118	162,018	-32.0%
Early retirement	166,880	36,597	356.0%
Compensated absences	28,781	31,134	-7.6%
Totals	\$ 14,160,779	4,839,749	192.6%

Factors Bearing on the District's Future

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

- Salary and benefit settlements, with any employee group, exceeding the rate of growth of state funding will have an adverse impact upon the District's General Fund budget.
- The state aid funding of 4% Allowable Growth is too low for the education needs of our District.
- Increased health insurance cost has had and will continue to impact the District.
- The number of open enrollment students leaving the district is extremely high.
- The need to pass the Instructional Support Levy.
- The increase in transportation and utility costs.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Judy Picker, District Secretary/Treasurer and Business Manager, Glenwood Community School District, 103 Central, Suite 300, Glenwood, Iowa 51534.

BASIC FINANCIAL STATEMENTS

GLENWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 14,606,601	358,109	14,964,710
Receivables:			
Property tax:			
Delinquent	92,606	0	92,606
Succeeding year	6,389,700	0	6,389,700
Accounts	517	3,422	3,939
Due from other governments	548,748	37,189	585,937
Inventories	778,171	40,729	818,900
Capital assets, net of accumulated depreciation(Note 4)	12,303,906	98,238	12,402,144
TOTAL ASSETS	34,720,249	537,687	35,257,936
LIABILITIES			
Accounts payable	137,062	461	137,523
Salaries and benefits payable	1,332,995	0	1,332,995
Accrued interest payable	66,515	0	66,515
Deferred revenue:			
Succeeding year property tax	6,389,700	0	6,389,700
Other	2,420	0	2,420
Unearned revenue	0	12,925	12,925
Long-term liabilities(Note 5):			
Portion due within one year:			
Bonds payable	500,000	0	500,000
Capital loan notes payable	295,000	0	295,000
Bus loans payable	53,978	0	53,978
Early retirement payable	166,880	10,286	177,166
Compensated absences payable	28,781	0	28,781
Portion due after one year:			
Bonds payable	12,755,000	0	12,755,000
Capital loan notes payable	305,000	0	305,000
Bus loans payable	56,140	0	56,140
TOTAL LIABILITIES	22,089,471	23,672	22,113,143
NET ASSETS			
Investment in capital assets, net of related debt	9,065,677	98,238	9,163,915
Restricted for:			
Talented and gifted	22,507	0	22,507
Salary improvement program	12,138	0	12,138
Management levy	252,926	0	252,926
Other special revenue purposes	142,066	0	142,066
Unrestricted	3,135,464	415,777	3,551,241
TOTAL NET ASSETS	\$ 12,630,778	514,015	13,144,793

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 6,432,973	832,661	1,374,891	(4,225,421)	0	(4,225,421)
Special instruction	2,753,613	920,887	104,790	(1,727,936)	0	(1,727,936)
Other instruction	1,763,825	0	0	(1,763,825)	0	(1,763,825)
	<u>10,950,411</u>	<u>1,753,548</u>	<u>1,479,681</u>	<u>(7,717,182)</u>	<u>0</u>	<u>(7,717,182)</u>
Support services:						
Student services	427,469	0	0	(427,469)	0	(427,469)
Instructional staff services	381,167	0	0	(381,167)	0	(381,167)
Administration services	1,831,912	0	0	(1,831,912)	0	(1,831,912)
Operation and maintenance of plant services	1,359,045	0	0	(1,359,045)	0	(1,359,045)
Transportation services	962,564	96,503	4,363	(861,698)	0	(861,698)
	<u>4,962,157</u>	<u>96,503</u>	<u>4,363</u>	<u>(4,861,291)</u>	<u>0</u>	<u>(4,861,291)</u>
Other expenditures:						
Facilities acquisitions	152,826	0	0	(152,826)	0	(152,826)
Long-term debt interest	362,266	0	0	(362,266)	0	(362,266)
AEA flowthrough	580,112	0	580,112	0	0	0
Depreciation(unallocated)*	295,441	0	0	(295,441)	0	(295,441)
	<u>1,390,645</u>	<u>0</u>	<u>580,112</u>	<u>(810,533)</u>	<u>0</u>	<u>(810,533)</u>
Total governmental activities	17,303,213	1,850,051	2,064,156	(13,389,006)	0	(13,389,006)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	863,710	536,070	364,047	0	36,407	36,407
Daycare services	513,155	403,725	169,903	0	60,473	60,473
Total business-type activities	1,376,865	939,795	533,950	0	96,880	96,880
Total	\$ 18,680,078	2,789,846	2,598,106	(13,389,006)	96,880	(13,292,126)
General Revenues:						
Property tax levied for:						
General purposes				\$ 4,797,464	0	4,797,464
Debt service				626,898	0	626,898
Capital outlay				440,751	0	440,751
Local option sales and service tax				497,630	0	497,630
Unrestricted state grants				7,809,971	0	7,809,971
Unrestricted investment earnings				128,120	2,977	131,097
Other				46,494	0	46,494
				<u>14,347,328</u>	<u>2,977</u>	<u>14,350,305</u>
Total general revenues				14,347,328	2,977	14,350,305
Changes in net assets				958,322	99,857	1,058,179
Net assets beginning of year, as restated (Note 10)				11,672,456	414,158	12,086,614
Net assets end of year				<u>\$ 12,630,778</u>	<u>514,015</u>	<u>13,144,793</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
Assets					
Cash and pooled investments	\$ 3,309,791	10,488,530	29,869	776,058	14,604,248
Receivables:					
Property tax					
Delinquent	72,077	0	9,731	10,798	92,606
Succeeding year	4,644,690	0	860,776	884,234	6,389,700
Accounts	370	0	0	147	517
Due from other governments	497,687	51,061	0	0	548,748
Inventories	778,171	0	0	0	778,171
Total assets	\$ 9,302,786	10,539,591	900,376	1,671,237	22,413,990
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 126,144	8,027	0	2,891	137,062
Salaries and benefits payable	1,332,995	0	0	0	1,332,995
Deferred revenue:					
Succeeding year property tax	4,644,690	0	860,776	884,234	6,389,700
Other	2,420	0	0	0	2,420
Total liabilities	6,106,249	8,027	860,776	887,125	7,862,177
Fund balances:					
Reserved for:					
Debt service	0	0	39,600	0	39,600
Inventories	778,171	0	0	0	778,171
Talented and gifted	22,507	0	0	0	22,507
Salary improvement program	12,138	0	0	0	12,138
Unreserved	2,383,721	10,531,564	0	784,112	13,699,397
Total fund balances	3,196,537	10,531,564	39,600	784,112	14,551,813
Total liabilities and fund balances	\$ 9,302,786	10,539,591	900,376	1,671,237	22,413,990

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2006

Total fund balances of governmental funds (page 17)	\$	14,551,813
 <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 report as assets in in the governmental funds.		12,303,906
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		2,353
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.		(66,515)
Long-term liabilities, including bonds payable, capital loan notes payable, bus loan payable, early retirement payable, and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(14,160,779)
		<hr style="width: 100%;"/>
Net assets of governmental activites (page 15)	\$	<u>12,630,778</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Debt Service	Total Special Revenue	Total
REVENUES:					
Local sources:					
Local tax	\$ 4,548,035	0	626,898	690,180	5,865,113
Local option sales and service tax	0	497,630	0	0	497,630
Tuition	1,241,834	0	0	0	1,241,834
Other	269,269	17,517	16,535	435,166	738,487
State sources	9,364,400	0	450	498	9,365,348
Federal sources	508,779	0	0	0	508,779
Total revenues	15,932,317	515,147	643,883	1,125,844	18,217,191
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	6,237,391	0	0	94,248	6,331,639
Special instruction	2,753,613	0	0	0	2,753,613
Other instruction	1,310,268	0	0	453,557	1,763,825
	10,301,272	0	0	547,805	10,849,077
Support services:					
Student services	427,469	0	0	0	427,469
Instructional staff services	377,647	0	0	0	377,647
Administration services	1,790,286	0	0	23,724	1,814,010
Operation and maintenance of plant services	1,261,939	0	0	85,332	1,347,271
Transportation services	899,244	0	0	33,155	932,399
	4,756,585	0	0	142,211	4,898,796
Other expenditures:					
Facilities acquisitions	0	731,627	0	93,825	825,452
Long-term debt:					
Principal	0	0	806,900	0	806,900
Interest and fiscal charges	0	85,368	242,581	0	327,949
AEA flowthrough	580,112	0	0	0	580,112
	580,112	816,995	1,049,481	93,825	2,540,413
Total expenditures	15,637,969	816,995	1,049,481	783,841	18,288,286
Excess(deficiency) of revenues over(under) expenditures	294,348	(301,848)	(405,598)	342,003	(71,095)
Other financing sources(uses):					
Transfers in	0	0	379,555	0	379,555
Transfers out	0	0	0	(379,555)	(379,555)
General obligation bonds issued	0	10,000,000	0	0	10,000,000
Refunding debt issued	0	0	2,465,000	0	2,465,000
Payment to the refunding escrow agent	0	0	(2,465,000)	0	(2,465,000)
Premiums on issuance of bonds	0	0	44,344	0	44,344
Total other financing sources(uses)	0	10,000,000	423,899	(379,555)	10,044,344
Net change in fund balances	294,348	9,698,152	18,301	(37,552)	9,973,249
Fund balances beginning of year	2,902,189	833,412	21,299	821,664	4,578,564
Fund balances end of year	\$ 3,196,537	10,531,564	39,600	784,112	14,551,813

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2006

Net change in fund balances - total governmental funds (page 19)		\$ 9,973,249
 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. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	\$ 803,630	
Depreciation expense	(457,702)	
Loss on disposal of assets	<u>(5,006)</u>	340,922
 Net change in Internal Service Funds charged back against expenditures made for the flex benefit program at an entity-wide basis.		
		(502)
 Proceeds of long-term debt 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 debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		
Issued	\$ (12,465,000)	
Repaid	<u>3,271,900</u>	(9,193,100)
 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.		
		(34,317)
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Early retirement	\$ (130,283)	
Compensated absences	<u>2,353</u>	(127,930)
 Changes in net assets of governmental activities (page 16)		 <u><u>\$ 958,322</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	School Nutrition	Day Care	Total	
Assets				
Cash and pooled investments	\$ 247,407	110,702	358,109	2,353
Receivables:				
Accounts	0	3,422	3,422	0
Due from other governments	27,662	9,527	37,189	0
Inventories	22,211	18,518	40,729	0
Capital assets, net of accumulated depreciation (Note 4)	94,147	4,091	98,238	0
Total assets	<u>391,427</u>	<u>146,260</u>	<u>537,687</u>	<u>2,353</u>
Liabilities				
Current liabilities:				
Accounts payable	0	461	461	0
Unearned revenue	12,925	0	12,925	0
Long-term liabilities:				
Early retirement benefits payable	10,286	0	10,286	0
Total liabilities	<u>23,211</u>	<u>461</u>	<u>23,672</u>	<u>0</u>
Net assets				
Investment in capital assets, net of related debt	94,147	4,091	98,238	0
Unrestricted	274,069	141,708	415,777	2,353
Total net assets	<u>\$ 368,216</u>	<u>145,799</u>	<u>514,015</u>	<u>2,353</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	School Nutrition	Day Care	Total	
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 536,070	403,725	939,795	16,264
TOTAL OPERATING REVENUES	<u>536,070</u>	<u>403,725</u>	<u>939,795</u>	<u>16,264</u>
OPERATING EXPENSES:				
Non-instructional programs:				
Salaries	291,263	398,975	690,238	0
Benefits	45,882	65,719	111,601	16,766
Services	14,744	949	15,693	0
Supplies	492,995	46,777	539,772	0
Depreciation	15,211	651	15,862	0
TOTAL OPERATING EXPENSES	<u>860,095</u>	<u>513,071</u>	<u>1,373,166</u>	<u>16,766</u>
OPERATING LOSS	<u>(324,025)</u>	<u>(109,346)</u>	<u>(433,371)</u>	<u>(502)</u>
NON-OPERATING REVENUES:				
State sources	10,352	0	10,352	0
Federal sources	353,695	169,903	523,598	0
Interest on investments	2,331	646	2,977	0
TOTAL NON-OPERATING REVENUES	<u>366,378</u>	<u>170,549</u>	<u>536,927</u>	<u>0</u>
Net income(loss) before other financing uses	42,353	61,203	103,556	(502)
Other financing uses:				
Loss on disposal of capital assets	(3,615)	(84)	(3,699)	0
Net income(loss)	38,738	61,119	99,857	(502)
Net assets beginning of year	<u>329,478</u>	<u>84,680</u>	<u>414,158</u>	<u>2,855</u>
Net assets end of year	<u>\$ 368,216</u>	<u>145,799</u>	<u>514,015</u>	<u>2,353</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	School Nutrition	Day Care	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 528,371	0	528,371	0
Cash received from miscellaneous operating activities	3,990	402,967	406,957	16,264
Cash payments to employees for services	(326,859)	(464,694)	(791,553)	(16,766)
Cash payments to suppliers for goods or services	(459,409)	(52,434)	(511,843)	0
Net cash used in operating activities	(253,907)	(114,161)	(368,068)	(502)
Cash flows from non-capital financing activities:				
State grants received	10,352	0	10,352	0
Federal grants received	311,596	169,903	481,499	0
Net cash provided by non-capital financing activities	321,948	169,903	491,851	0
Cash flows from capital and related financing activities:				
Purchase of capital assets	(14,348)	(750)	(15,098)	0
Net cash used in capital and related financing activities	(14,348)	(750)	(15,098)	0
Cash flows from investing activities:				
Interest on investments	2,331	646	2,977	0
Net cash provided by investing activities	2,331	646	2,977	0
Net increase(decrease) in cash and cash equivalents	56,024	55,638	111,662	(502)
Cash and cash equivalents at beginning of year	191,383	55,064	246,447	2,855
Cash and cash equivalents at end of year	\$ 247,407	110,702	358,109	2,353
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (324,025)	(109,346)	(433,371)	(502)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities consumed	42,099	0	42,099	0
Depreciation	15,211	651	15,862	0
(Increase)decrease in inventories	6,611	(3,518)	3,093	0
(Increase)decrease in accounts receivable	3,707	(170)	3,537	0
Increase in due from other governments	(10,412)	(588)	(11,000)	0
Decrease in accounts payable	(380)	(1,190)	(1,570)	0
Increase in early retirement benefits payable	10,286	0	10,286	0
Decrease in unearned revenue	2,996	0	2,996	0
Net cash used in operating activities	\$ (253,907)	(114,161)	(368,068)	(502)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and pooled investments	\$ 247,407	110,702	358,109	2,353

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$42,099.

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	<u>Agency Fund</u>
Assets	
Cash and pooled investments	<u>\$ 10,858</u>
LIABILITIES	
Due to other groups	<u>\$ 10,858</u>
Net assets	<u>\$ 0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor proprietary funds:

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

Day Care Fund is used to account for the child care operations of the District. The Internal Service Fund is used to account for the flex benefit programs.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements

issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

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

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

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

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

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

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the

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

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

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

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

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

E. Budgeting and Budgetary Control

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

(2) Cash and Pooled Investments

The District's deposits at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 3,001,722</u>

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

Credit risk. The investments in Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Services.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenues - Physical Plant and Equipment Levy	<u>\$ 379,555</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business-type activities:				
Machinery and equipment	\$ 320,553	15,098	11,345	324,306
Less accumulated depreciation	217,852	15,862	7,646	226,068
Business-type activities capital assets, net	<u>\$ 102,701</u>	<u>(764)</u>	<u>3,699</u>	<u>98,238</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 206,266	230,000	0	436,266
Construction in progress	0	393,695	0	393,695
Total capital assets not being depreciated	<u>206,266</u>	<u>623,695</u>	<u>0</u>	<u>829,961</u>
Capital assets being depreciated:				
Buildings	14,662,890	9,106	0	14,671,996
Land improvements	268,573	0	3,757	264,816
Machinery and equipment	2,369,888	170,829	62,200	2,478,517
Total capital assets being depreciated	<u>17,301,351</u>	<u>179,935</u>	<u>65,957</u>	<u>17,415,329</u>
Less accumulated depreciation for:				
Buildings	3,497,848	282,200	0	3,780,048
Land improvements	174,325	13,241	751	186,815
Machinery and equipment	1,872,460	162,261	60,200	1,974,521
Total accumulated depreciation	<u>5,544,633</u>	<u>457,702</u>	<u>60,951</u>	<u>5,941,384</u>
Total capital assets being depreciated, net	<u>11,756,718</u>	<u>(277,767)</u>	<u>5,006</u>	<u>11,473,945</u>
Governmental activities capital assets, net	<u>\$ 11,962,984</u>	<u>345,928</u>	<u>5,006</u>	<u>12,303,906</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 15,595
Support services:	
Instructional staff services	3,723
Administration	3,429
Operation and maintenance of plant services	14,337
Transportation	125,177
	<u>162,261</u>
Unallocated depreciation	<u>295,441</u>
Total governmental activities depreciation expense	<u>\$ 457,702</u>
Business-type activities:	
Food services	\$ 15,211
Day care	651
Total business-type activities depreciation expense	<u>\$ 15,862</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year, as restated (Note 10)	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 3,725,000	12,465,000	2,935,000	13,255,000	500,000
Capital Loan Notes	885,000	0	285,000	600,000	295,000
Bus Loans	162,018	0	51,900	110,118	53,978
Early Retirement	36,597	166,880	36,597	166,880	166,880
Compensated Absences	31,134	28,781	31,134	28,781	28,781
Total	\$ 4,839,749	12,660,661	3,339,631	14,160,779	1,044,639

Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2006			Bond Issue of June 15, 2006		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2007	4.50 %	\$ 310,000	104,144	4.00 %	-	371,761
2008	4.50	325,000	90,192	4.00	210,000	405,557
2009	4.50	340,000	75,569	4.00	125,000	397,157
2010	4.50	350,000	60,269	4.00	10,000	392,157
2011	4.50	365,000	44,519	4.00	130,000	391,757
2012	3.63	380,000	28,094	4.00	135,000	386,558
2013	3.63	395,000	14,319	4.00	140,000	381,158
2014-2018	-	-	-	4.00	3,005,000	1,646,988
2019-2020	-	-	-	4.05	1,375,000	483,378
2021-2026	-	-	-	4.10	4,870,000	723,035
Total		\$ 2,465,000	417,106		\$ 10,000,000	5,579,506

Bond Issue of October 1, 2002	Interest		Total	
	Rates	Principal	Interest	Principal
3.00 %	\$ 190,000	25,520	\$ 500,000	501,425
3.10	195,000	19,820	730,000	515,569
3.30	200,000	13,775	665,000	486,501
3.50	205,000	7,175	565,000	459,601
	-	-	495,000	436,276
	-	-	515,000	414,652
	-	-	535,000	395,477
	-	-	3,005,000	1,646,988
	-	-	1,375,000	483,378
	-	-	4,870,000	723,035
	\$ 790,000	66,290	\$ 13,255,000	6,062,902

Capital Loan Notes

On April 14, 1999, the District issued \$2,565,000 of capital loan notes to finance additions to the Northeast Elementary Building. These notes were sold in March, 1999. Maturities and interest rates of notes outstanding at June 30, 2006 are as follows:

Year	Ending	Interest			
June 30,	Rate	Principal	Interest	Total	
2007	4.40 %	\$ 295,000	23,288	318,288	
2008	4.45	305,000	10,198	315,198	
Total		\$ 600,000	33,486	633,486	

Bus Loans

Details of the District's June 30, 2006 bus loans indebtedness are as follows:

Year	Ending	Interest			
June 30,	Rate	Principal	Interest	Total	
2007	3.95 %	\$ 53,978	4,410	58,388	
2008	3.95	56,140	2,248	58,388	
Total		\$ 110,118	6,658	116,776	

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the difference between whatever teaching salary is received in the year in which the employee retires and the beginning BA salary upon leaving the employer multiplied by a percentage based on the employee's age. The cost of early retirement benefits paid during the year ended June 30, 2006, totaled \$36,597.

(6) Bond Defeasement

On May 1, 2006, the District issued \$2,465,000 in general obligation bonds to advance refund \$2,465,000 to call the outstanding general obligation bonds dated May 1, 1998. The new advance refunding bonds have been added to the appropriate financial statement and schedules. The defeasement of principal and interest for the year was \$2,465,000 and \$0. The present value savings of this bond refunding is \$57,093.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial

statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$591,261, \$567,209, and \$544,140 respectively, equal to the required contributions for each year.

(8) Risk Management

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

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2006 were \$1,228,135.

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

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$580,112 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Restatements

After reviewing the District's long-term debt it was determined that the bus loans payable was incorrectly reported in the prior year. The restatement to the long-term debt and its effects to the net assets are shown as follows:

Net assets, June 30, 2005, as previously reported	\$ 11,834,474
Net adjustment to long-term debt	<u>(162,018)</u>
Net assets, July 1, 2005, as restated for governmental funds	<u>\$ 11,672,456</u>

(11) Construction Commitments

The District entered into architect contracts at the end of fiscal 2006 for the new high school project. As of June 30, 2006, the District has paid \$393,695 of these contracts. The remaining amounts of the contracts will be paid as work on the project progresses.

REQUIRED SUPPLEMENTAL INFORMATION

GLENWOOD COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2006

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Funds Actual		Original	Final	
Revenues:						
Local sources	\$ 8,343,064	942,772	9,285,836	9,568,775	9,568,775	(282,939)
State sources	9,365,348	10,352	9,375,700	9,723,219	9,723,219	(347,519)
Federal sources	508,779	523,598	1,032,377	1,405,000	1,405,000	(372,623)
Total revenues	18,217,191	1,476,722	19,693,913	20,696,994	20,696,994	(1,003,081)
Expenditures:						
Instruction	10,849,077	0	10,849,077	14,109,751	14,109,751	3,260,674
Support services	4,898,796	0	4,898,796	5,320,399	5,320,399	421,603
Non-instructional programs	0	1,373,166	1,373,166	1,801,906	1,801,906	428,740
Other expenditures	2,540,413	0	2,540,413	3,062,470	3,062,470	522,057
Total expenditures	18,288,286	1,373,166	19,661,452	24,294,526	24,294,526	4,633,074
Excess(deficiency) of revenues over(under) expenditures	(71,095)	103,556	32,461	(3,597,532)	(3,597,532)	3,629,993
Other financing sources(uses), net	10,044,344	(3,699)	10,040,645	2,000	2,000	10,038,645
Excess(deficiency) of revenues over(under) expenditures	9,973,249	99,857	10,073,106	(3,595,532)	(3,595,532)	13,668,638
Balance beginning of year	4,578,564	414,158	4,992,722	3,595,532	3,595,532	1,397,190
Balance end of year	\$ 14,551,813	514,015	15,065,828	0	0	15,065,828

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GLENWOOD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

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 GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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

OTHER SUPPLEMENTAL INFORMATION

GLENWOOD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS
 JUNE 30, 2006

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total
Assets					
Cash and pooled investments	\$ 415,850	141,489	215,398	3,321	776,058
Receivables:					
Property tax					
Current year delinquent	3,956	0	6,842	0	10,798
Succeeding year	400,000	0	484,234	0	884,234
Accounts	0	147	0	0	147
Total assets	\$ 819,806	141,636	706,474	3,321	1,671,237
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 0	2,891	0	0	2,891
Deferred revenue					
Succeeding year property tax	400,000	0	484,234	0	884,234
Total liabilities	400,000	2,891	484,234	0	887,125
Unreserved fund balances	419,806	138,745	222,240	3,321	784,112
Total liabilities and fund balances	\$ 819,806	141,636	706,474	3,321	1,671,237

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GLENWOOD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total
REVENUES:					
Local sources:					
Local tax	\$ 249,429	0	440,751	0	690,180
Other	12,358	419,096	1,562	2,150	435,166
State sources	182	0	316	0	498
TOTAL REVENUES	261,969	419,096	442,629	2,150	1,125,844
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	94,248	0	0	0	94,248
Other instruction	0	452,057	0	1,500	453,557
Support services:					
Administration services	23,724	0	0	0	23,724
Operation and maintenance of plant services	85,332	0	0	0	85,332
Student transportation	33,155	0	0	0	33,155
Other expenditures:					
Facilities acquisitions	0	0	93,825	0	93,825
TOTAL EXPENDITURES	236,459	452,057	93,825	1,500	783,841
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	25,510	(32,961)	348,804	650	342,003
OTHER FINANCING USES:					
Transfer out	0	0	(379,555)	0	(379,555)
EXCESS (DEFICIENCY) OF REVENUES AND OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	25,510	(32,961)	(30,751)	650	(37,552)
FUND BALANCES BEGINNING OF YEAR	394,296	171,706	252,991	2,671	821,664
FUND BALANCES END OF YEAR	\$ 419,806	138,745	222,240	3,321	784,112

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GLENWOOD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Speech MS	\$ 998	537	93	1,442
Speech HS	8	0	0	8
Music MS	1,181	452	127	1,506
Musical HS	3,630	3,757	2,608	4,779
Music HS	1,290	1,685	2,122	853
Vocal Music HS	16,280	11,133	18,772	8,641
Show Choir	4,738	3,911	2,505	6,144
Band MS	24	0	0	24
Band Trip	13,199	88,302	90,825	10,676
Athletics	13,325	94,062	94,764	12,623
Cross County - Boys	761	2,781	2,564	978
Cross County - Girls	1,232	1,167	1,592	807
Basketball - Boys	202	4,317	4,169	350
Football	1,855	1,850	1,408	2,297
Soccer - Boys	2,984	2,758	3,381	2,361
Baseball	450	5,793	5,153	1,090
Track - Boys	3,335	7,636	7,216	3,755
Tennis - Boys	0	255	0	255
Golf - Boys	33	0	33	0
Wrestling	1,676	1,911	2,685	902
Basketball - Girls	138	2,770	2,040	868
Volleyball	2,058	1,174	1,431	1,801
Soccer - Girls	176	200	0	376
Softball	12,306	8,513	18,453	2,366
Softball Complex	0	552	0	552
Track - Girls	1,811	6,428	6,163	2,076
Golf - Girls	131	0	131	0
Annual HS	9,508	9,784	12,703	6,589
Annual MS	3,886	4,606	3,553	4,939
National Art	521	339	860	0
Black and Gold	1,506	1,315	1,161	1,660
Building Bridges	513	1,038	1,207	344
Cheerleaders HS	1,262	9,212	8,377	2,097
Dance Team	0	197	0	197
Chess Club HS	324	0	0	324
Class of 2003	2	0	2	0
Class of 2004	48	0	48	0
Class of 2005	162	0	162	0
Class of 2006	320	0	320	0
Class of 2007	70	12,001	11,728	343
Class of 2008	0	50	0	50
FBLA	65	0	0	65
FFA	514	20,625	17,579	3,560
FCA	89	0	0	89
Fragments	470	0	229	241

GLENWOOD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Foreign Language	107	1,331	1,122	316
FCCLA	3,333	6,379	6,723	2,989
Peer Tutoring	2	0	0	2
REACH	397	2,941	2,704	634
Builders Club	97	491	158	430
SW Honor Band	46	0	0	46
Comm Prev Group	17	0	0	17
Student Council MS	1,206	720	386	1,540
Marketing Class	763	981	1,744	0
Media Book Club	473	0	0	473
Great Race	227	0	0	227
Key Club	1	0	0	1
Student Council HS	765	2,174	2,352	587
Special 21	9,144	6,873	10,626	5,391
Library HS	227	38	0	265
NE Library	0	236	236	0
NE Elementary	15,717	34,105	40,960	8,862
Ram Shack	1,165	866	450	1,581
Uniform Clean MS	922	0	863	59
Uniform Clean HS	1,643	1,701	1,095	2,249
Vending Trans	275	849	728	396
Vending MS	3,858	8,242	9,784	2,316
Vending HS	3,487	11,795	11,949	3,333
Weight Room	24	0	0	24
Vocal Robe Clean	2,913	985	0	3,898
Vending Bldg Brdg	5,153	684	1,077	4,760
West Elementary	16,663	26,594	32,936	10,321
Total	\$ 171,706	419,096	452,057	138,745

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GLENWOOD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2006

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 4,603	91,544	85,289	10,858
LIABILITIES				
Due to other groups	\$ 4,603	91,544	85,289	10,858

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 6,362,743	6,689,807	5,942,689	5,743,021
Tuition	1,241,834	1,220,022	1,279,884	1,022,333
Other	738,487	599,906	495,963	519,810
Intermediate sources	0	3,340	0	0
State sources	9,365,348	8,794,897	8,398,795	8,497,347
Federal sources	508,779	886,886	834,825	522,645
Total	\$ 18,217,191	18,194,858	16,952,156	16,305,156
Expenditures:				
Instruction:				
Regular instruction	\$ 6,331,639	6,149,662	5,808,253	5,665,283
Special instruction	2,753,613	2,677,056	2,974,237	2,935,734
Other instruction	1,763,825	1,767,899	987,870	1,036,601
Support services:				
Student services	427,469	253,499	590,896	648,363
Instructional staff services	377,647	470,012	423,069	394,560
Administration services	1,814,010	1,502,756	1,399,672	1,344,807
Operation and maintenance of plant services	1,347,271	1,296,220	1,593,281	1,202,312
Transportation services	932,399	821,126	836,311	781,980
Central support services	0	0	18,293	35,669
Non-instructional programs	0	193	2,100	3,389
Other expenditures:				
Facilities acquisitions	825,452	758,985	476,431	88,704
Long-term debt:				
Principal	806,900	730,000	695,000	685,000
Interest and other charges	327,949	221,687	248,611	399,865
AEA flow-through	580,112	551,814	547,349	573,000
Total	\$ 18,288,286	17,200,909	16,601,373	15,795,267

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GLENWOOD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 06	\$ <u>42,099</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 06	40,285
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 06	228,228
SPECIAL MILK PROGRAM	10.556	FY 06	43,083
CHILD AND ADULT CARE FOOD PROGRAM	10.558	FY 06	<u>26,281</u>
			<u>337,877</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	2511-G	165,314
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	2511-D	<u>15,635</u>
			<u>180,949</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 04	418
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 05	425
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 06	<u>14,050</u>
			<u>14,893</u>
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 06	<u>4,725</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 06	<u>60,584</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 05	2,089
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 06	<u>9,586</u>
			<u>11,675</u>

GLENWOOD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT (CONTINUED):			
DEPARTMENT OF EDUCATION (CONTINUED):			
IOWA WESTERN COMMUNITY COLLEGE:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 06	<u>14,739</u>
LOESS HILLS AEA 13:			
SPECIAL EDUCATION - GRANTS TO STATE (PART B)	84.027	FY 06	<u>104,790</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
CHILD CARE AND DEVELOPMENT BLOCK GRANT - WRAP AROUND GRANT	93.575	FY 06	<u>143,622</u>
TOTAL			<u>\$ 915,953</u>

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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

To the Board of Education of the
Glenwood Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Glenwood Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 10, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

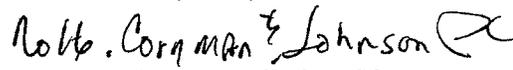
Compliance

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Glenwood Community School District and other parties to whom Glenwood Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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


NOLTE, CORNMAN & JOHNSON, P.C.

October 10, 2006

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of
Glenwood Community School District

Compliance

We have audited the compliance of Glenwood Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Glenwood Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Glenwood Community School District's management. Our responsibility is to express an opinion on Glenwood Community School District's compliance based on our audit.

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

In our opinion, Glenwood Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

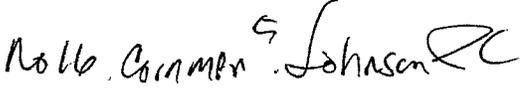
The management of Glenwood Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Glenwood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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Glenwood Community School District's ability to administer a major

federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as item III-A-06 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreement caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item III-A-06 is a material weakness.

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


NOLTE, CORNMAN & JOHNSON, P.C.

October 10, 2006

GLENWOOD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.556 - Special Milk Program
 - CFDA Number 10.558 - Child and Adult Care Food Program
 - Individual
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Glenwood Community School District did not qualify as a low-risk auditee.

GLENWOOD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

GLENWOOD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.556: Special Milk Program
CFDA Number 10.558: Child and Adult Care Food Program
Federal Award Year: 2006
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
Federal Award Year: 2006
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

GLENWOOD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2006

Part IV: Other Findings Related to Statutory Reporting

- IV-A-06 Certified Budget - District expenditures for the year ended June 30, 2006 did not exceed the amount budgeted.
- IV-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-06 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Linda Boles, Secretary Spouse of Jon Boles	Purchases Services	\$374
Michelle Konfrst, Secretary Spouse of owner of Steve Konfrst Trash	Purchased Services	\$2,571
Michelle Konfrst, Secretary Spouse of owner of Konfrst Tree Service	Purchased Services	\$1,150
Paul Johnson, Teacher Father of Ryan Johnson	Purchased Services	\$775
Kerrie Newman, Principal Spouse of Cliff Newman	Purchased Services	\$50
Aaron Aistrope, Bus Driver Son of owner of Aistrope Agency Inc.	Property Insurance	\$199,962
Leon Portrey, Dean of Students Father of Matt Portrey	Purchased Services	\$1,183
Todd Peverill, Bus Driver Owner of Todd's Tinker Town	Purchased Services	\$720
Mary Kay Hockabout, Secretary Owner of Partners in Prevention	Services and Supplies	\$553

Name, Title and Business Connection	Transaction Description	Amount
Nancy Lincoln, Coach Spouse owns Lincoln Farm and Home	Services and Supplies	\$108,397
Deb Schoening, Secretary Mother of Alexa Schoening	Purchased Services	\$47

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

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

- IV-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-I-06 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.