

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

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Independent Auditor's Report

To the Board of Education of
Glidden-Ralston 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 Glidden-Ralston Community School District, Glidden, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements of the District's primary government 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.

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

The financial statements referred to above include only the primary government of the Glidden-Ralston Community School District, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the District's legal entity. The financial statements do not include financial data for the District's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the District's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Glidden-Ralston Community School District at June 30, 2006, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 for the primary government of Glidden-Ralston Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 14, 2006 on our consideration of Glidden-Ralston Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Glidden-Ralston Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005, (which are not presented herein) and expressed qualified opinions on those financial statements due to the omission of a component unit, the Elmer Smith Trust, from the financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

November 14, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Glidden - Ralston Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Glidden - Ralston Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

Government-Wide Financial Analysis

Figure A-1 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2006.

Figure A-1

	Condensed Statement of Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2005	2006	2005	2006	2005	2006	
	\$	\$	\$	\$	\$	\$	
Current and other assets	2,863,099	3,239,166	16,784	28,447	2,879,883	3,267,613	13%
Capital assets	3,636,301	3,588,857	-	2,504	3,636,301	3,591,361	-1%
Total assets	6,499,400	6,828,023	16,784	30,951	6,516,184	6,858,974	5%
Long-term liabilities	2,275,000	2,268,000	-	-	2,275,000	2,268,000	-0%
Other liabilities	1,544,713	1,445,709	4,994	3,642	1,549,707	1,449,351	-6%
Total liabilities	3,819,713	3,713,709	4,994	3,642	3,824,707	3,717,351	-3%
Net Assets:							
Invested in capital assets, net of related debt	1,361,301	1,338,857	-	2,504	1,361,301	1,341,361	-1%
Restricted	239,126	336,765	-	-	239,126	336,765	41%
Unrestricted	1,079,260	1,438,692	11,790	24,805	1,091,050	1,463,497	34%
TOTAL NET ASSETS	2,679,687	3,114,314	11,790	27,309	2,691,477	3,141,623	17%

The District's combined net assets increased by nearly 17%, or approximately \$450,146, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$97,639 or 41% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$372,447, or 34%. This change in unrestricted net assets was a result of increased revenues from income surtax, unrestricted state grants and investment earnings.

Figure A-2 shows the change in net assets for the years ended June 30, 2006 and 2005.

Figure A-2

	Change in Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	
Revenues							
Program Revenues:							
Charges for services	317,012	382,244	104,041	110,985	421,053	493,229	17%
Operating grants & contributions	424,788	481,883	58,435	62,367	483,223	544,250	13%
Capital grants & contributions	-	24,051	-	-	-	24,051	0%
General Revenues:							
Property taxes	1,222,340	1,183,587	-	-	1,222,340	1,183,587	-3%
Income Surtax	94,866	112,389	-	-	94,866	112,389	18%
Local option sales tax	2,679	107,294	-	-	2,679	107,294	3905%
Unrestricted state grants	1,342,469	1,325,901	-	-	1,342,469	1,325,901	-1%
Unrestricted investment earnings	11,122	15,300	87	153	11,209	15,453	38%
Other revenue	1,785	-	-	-	1,785	-	-100%
Total Revenues	3,417,061	3,632,649	162,563	173,505	3,579,624	3,806,154	6%
Expenses:							
Instruction	1,951,576	1,757,663	-	-	1,951,576	1,757,663	-10%
Support services	771,161	1,044,492	-	-	771,161	1,044,492	35%
Non-instructional programs	-	-	151,568	157,986	151,568	157,986	4%
Other expenditures	346,262	395,867	-	-	346,262	395,867	14%
Total expenses	3,068,999	3,198,022	151,568	157,986	3,220,567	3,356,008	4%
CHANGE IN NET ASSETS	348,062	434,627	10,995	15,519	359,057	450,146	25%
Net assets beginning of year	2,331,625	2,679,687	795	11,790	2,332,420	2,691,477	15%
Net assets end of year	2,679,687	3,114,314	11,790	27,309	2,691,477	3,141,623	17%

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 83% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,632,649 and expenses were \$3,198,022.

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

Figure A-3

Total and Net Cost of Governmental Activities

	Total Cost of Services 2005 \$	Total Cost Of Services 2006 \$	Net Cost of Services 2005 \$	Net Cost of Services 2006 \$
Instruction	1,951,576	1,757,663	1,375,210	1,128,071
Support Services	771,161	1,044,492	744,506	969,818
Non-instructional Programs	-	-	-	-
Other Expenses	346,262	395,867	207,483	211,955
TOTAL	3,068,999	3,198,022	2,327,199	2,309,844

- The cost financed by users of the District's programs was \$382,244.
- Federal and state governments and others subsidized certain programs with grants and contributions totaling \$505,934.
- The net cost of governmental activities was financed with \$1,403,270 in property and other taxes and \$1,325,904 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$173,505 and expenses were \$157,986. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Beginning in the fall of 2004, the District increased meal prices and lowered labor costs. The district also entered into a contract with a statewide food supply consortium to lower food costs. These changes resulted in an increase in revenue and net assets. The district has obligated the resulting revenues for replacement of commercial steamer and refrigerator/cooler.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,694,053.

Governmental Fund Highlights

- The General Fund balance increased from \$1,070,712 to \$1,390,636. The increase was due primarily to implemented budget reductions, a decrease in the special education deficit, additional revenues from open enrollment tuition and state sources.
- The Debt Service Fund has a deficit fund balance of \$(29,947) This deficit was created in fiscal year 2005, when the District budgeted to receive \$30,000 of contribution revenues from the Elmer Smith Trust in the Debt Service Fund, but none were recorded. The deficit (\$29,947) was the result of funds

not being available for deposit until after the end of the fiscal year. Funds were deposited in July following the fiscal year, thereby eliminating the deficit.

- The Management Fund started the year with a \$(35,460) deficit fund balance and ended the year with a \$(3,401) deficit.
- The Physical Plant and Equipment Levy (PPEL) Fund balance started the year with \$35,757 and ended the year with a fund balance of \$23,436. Revenues increased by \$46,871 and expenditures increased by \$57,890.
- The Capital Projects Fund balance increased by \$101,763 from \$194,510 to \$296,273.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$11,790 at June 30, 2005 to \$27,309 at June 30, 2006, representing an increase of approximately 134%. The District also lowered labor costs and entered into a contract with a statewide food supply consortium to lower food costs. These changes resulted in an increase in revenue and net assets. The district will use these funds to purchase a new steamer unit and a commercial refrigerator/cooler.

BUDGETARY HIGHLIGHTS

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$3,591,361 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net decrease of 1% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$109,180.

The original cost of the District's capital assets was \$5.2 million. Governmental funds account for \$5.1 million, with the remainder of \$.1 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-4

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2005-2006
	Activities		Activities		School District		
	2005	2006	2005	2006	2005	2006	
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Buildings	3,566,636	3,487,511	-	-	3,566,636	3,487,511	-2%
Equipment & Furniture	59,665	91,346	-	2,504	59,665	93,850	57%
TOTAL	3,636,301	3,588,857	-	2,504	3,636,301	3,591,361	-1%

Long-Term Debt

At June 30, 2006, the District had \$2,268,000 in general obligation, revenue and other long-term debt outstanding. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

**Figure A-5
Outstanding Long-Term Obligations**

	Total School District		Percentage Change 2005-2006
	2005	2006	
	\$	\$	
General Obligation Bonds	2,275,000	2,250,000	-1%
Early Retirement	-	18,002	0%
	2,275,000	2,268,000	0%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- All bargaining unit contracts are one-year contracts, and open for renegotiation for next year. Salary and benefits represent 82% of general fund expenditures. Salary and benefit settlements, with any employee group, exceeding rate of growth of state funding will have an adverse impact upon the District's General Fund budget.
- School financing is highly dependent upon student enrollment. The District's September 2006 enrollment increased slightly. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, an additional bus must be replaced during fiscal 2007 at an approximate cost of \$75,000.
- Forecasts for higher utility and fuel costs will require constant monitoring.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Denise Best, District Secretary/Treasurer and Business Manager, Glidden-Ralston Community School District, 602 Idaho, Glidden, Iowa 51443.

BASIC FINANCIAL STATEMENTS

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,898,158	28,290	1,926,448
Receivables:			
Property tax:			
Delinquent	11,769	-	11,769
Succeeding year	1,121,231	-	1,121,231
Accounts	718	52	770
Due from other governments	187,520	-	187,520
Inventories	-	105	105
Bond discount	19,770	-	19,770
Capital assets, net of accumulated depreciation	3,588,857	2,504	3,591,361
Total assets	6,828,023	30,951	6,858,974
Liabilities			
Accounts payable	73,921	-	73,921
Salaries and benefits payable	243,753	769	244,522
Accrued interest payable	6,804	-	6,804
Deferred revenue:			
Succeeding year property tax	1,121,231	-	1,121,231
Other	-	2,873	2,873
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	130,000	-	130,000
Termination benefits	18,000	-	18,000
Portion due after one year:			
General obligation bonds payable	2,120,000	-	2,120,000
Total liabilities	3,713,709	3,642	3,717,351
Net assets			
Invested in capital assets, net of related debt	1,338,857	2,504	1,341,361
Restricted for:			
Capital outlay	319,709	-	319,709
Other special revenue purposes	17,056	-	17,056
Unrestricted	1,438,692	24,805	1,463,497
Total net assets	3,114,314	27,309	3,141,623

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
			\$	\$
Governmental activities:				
Instruction:				
Regular instruction	1,098,908	217,596	182,841	-
Special instruction	225,238	-	37,127	-
Other instruction	433,517	164,648	27,380	-
	<u>1,757,663</u>	<u>382,244</u>	<u>247,348</u>	<u>-</u>
Support services:				
Student services	163,758	-	17,687	-
Instructional staff services	222,871	-	55,973	-
Administration services	276,693	-	-	-
Operation and maintenance of plant services	271,928	-	-	-
Transportation services	109,242	-	1,014	-
	<u>1,044,492</u>	<u>-</u>	<u>74,674</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	51,469	-	-	24,051
Long-term debt interest	144,060	-	53,086	-
AEA flowthrough	106,775	-	106,775	-
Depreciation (unallocated)*	93,563	-	-	-
	<u>395,867</u>	<u>-</u>	<u>159,861</u>	<u>24,051</u>
Total governmental activities	3,198,022	382,244	481,883	24,051
Business type activities:				
Non-instructional programs:				
Food service operations	157,986	110,985	62,367	-
Total	<u>3,356,008</u>	<u>493,229</u>	<u>544,250</u>	<u>24,051</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>
(698,471)	-	(698,471)
(188,111)	-	(188,111)
(241,489)	-	(241,489)
<u>(1,128,071)</u>	<u>-</u>	<u>(1,128,071)</u>
(146,071)	-	(146,071)
(166,898)	-	(166,898)
(276,693)	-	(276,693)
(271,928)	-	(271,928)
(108,228)	-	(108,228)
<u>(969,818)</u>	<u>-</u>	<u>(969,818)</u>
(27,418)	-	(27,418)
(90,974)	-	(90,974)
-	-	-
(93,563)	-	(93,563)
<u>(211,955)</u>	<u>-</u>	<u>(211,955)</u>
(2,309,844)	-	(2,309,844)
-	15,366	15,366
<u>(2,309,844)</u>	<u>15,366</u>	<u>(2,294,478)</u>
975,058	-	975,058
179,684	-	179,684
28,845	-	28,845
112,389	-	112,389
107,294	-	107,294
1,325,901	-	1,325,901
15,300	153	15,453
<u>2,744,471</u>	<u>153</u>	<u>2,744,624</u>
434,627	15,519	450,146
<u>2,679,687</u>	<u>11,790</u>	<u>2,691,477</u>
<u>3,114,314</u>	<u>27,309</u>	<u>3,141,623</u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2006

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	1,618,050	-	280,108	1,898,158
Receivables:				
Property tax:				
Delinquent	8,970	1,775	1,024	11,769
Succeeding year	905,671	110,833	104,727	1,121,231
Accounts	115	-	603	718
Interfund receivable	4,139	-	31,722	35,861
Due from other governments	151,796	-	35,724	187,520
	<u>2,688,741</u>	<u>112,608</u>	<u>453,908</u>	<u>3,255,257</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	62,243	-	11,678	73,921
Salaries and benefits payable	243,753	-	-	243,753
Interfund payable	-	31,722	4,139	35,861
Deferred revenue:				
Succeeding year property tax	905,671	110,833	104,727	1,121,231
Other	86,438	-	-	86,438
Total liabilities	<u>1,298,105</u>	<u>142,555</u>	<u>120,544</u>	<u>1,561,204</u>
Fund balances:				
Unreserved reported in:				
General fund	1,390,636	-	-	1,390,636
Debt service	-	(29,947)	-	(29,947)
Special revenue funds	-	-	37,091	37,091
Capital projects funds	-	-	296,273	296,273
Total fund balances	<u>1,390,636</u>	<u>(29,947)</u>	<u>333,364</u>	<u>1,694,053</u>
	<u>2,688,741</u>	<u>112,608</u>	<u>453,908</u>	<u>3,255,257</u>
Total liabilities and fund balances				

GLIDDEN-RALSTON 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 (Exhibit C)	1,694,053
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,588,857
Unamortized bond discount.	19,770
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	86,438
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.	(6,804)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,268,000)</u>
Net assets of governmental activities (Exhibit A)	<u><u>3,114,314</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	General Fund \$	Debt Service \$	Nonmajor Governmental Funds \$	Total \$
Revenues:				
Local sources:				
Local tax	900,960	179,684	213,347	1,293,991
Tuition	190,555	-	-	190,555
Other	48,397	72,911	179,470	300,778
State sources	1,576,551	103	59	1,576,713
Federal sources	285,553	-	24,051	309,604
Total revenues	<u>3,002,016</u>	<u>252,698</u>	<u>416,927</u>	<u>3,671,641</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,080,908	-	-	1,080,908
Special instruction	225,238	-	-	225,238
Other instruction	289,456	-	144,061	433,517
	<u>1,595,602</u>	<u>-</u>	<u>144,061</u>	<u>1,739,663</u>
Support services:				
Student services	163,758	-	-	163,758
Instructional staff services	222,871	-	-	222,871
Administration services	256,346	11,850	-	268,196
Operation and maintenance of plant services	226,737	-	45,191	271,928
Transportation services	110,003	-	-	110,003
	<u>979,715</u>	<u>11,850</u>	<u>45,191</u>	<u>1,036,756</u>
Other expenditures:				
Facilities acquisition	-	-	97,977	97,977
Long-term debt:				
Principal	-	195,000	-	195,000
Interest and fiscal charges	-	145,680	-	145,680
AEA flowthrough	106,775	-	-	106,775
	<u>106,775</u>	<u>340,680</u>	<u>97,977</u>	<u>545,432</u>
Total expenditures	<u>2,682,092</u>	<u>352,530</u>	<u>287,229</u>	<u>3,321,851</u>
Excess (deficiency) of revenues over (under) expenditures	<u>319,924</u>	<u>(99,832)</u>	<u>129,698</u>	<u>349,790</u>
Other financing sources (uses):				
Refunding bonds issued	-	2,020,000	-	2,020,000
Bond discount	-	(21,182)	-	(21,182)
Payment to bond escrow agent	-	(1,899,748)	-	(1,899,748)
Total other financing sources (uses)	<u>-</u>	<u>99,070</u>	<u>-</u>	<u>99,070</u>
Net change in fund balances	319,924	(762)	129,698	448,860
Fund balances beginning of year	<u>1,070,712</u>	<u>(29,185)</u>	<u>203,666</u>	<u>1,245,193</u>
Fund balances end of year	<u><u>1,390,636</u></u>	<u><u>(29,947)</u></u>	<u><u>333,364</u></u>	<u><u>1,694,053</u></u>

See notes to financial statements.

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2006

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		448,860
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the year as follows:		
Expenditures for capital assets	61,508	
Depreciation expense	<u>(108,952)</u>	(47,444)
Unamortized bond discount.		19,770
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		4,821
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		25,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		1,620
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits		<u>(18,000)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>434,627</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2006

	Nonmajor School Nutrition
	<u> </u> \$
Assets	
Cash and cash equivalents	28,290
Accounts receivable	52
Inventories	105
Capital assets, net of accumulated depreciation	<u>2,504</u>
Total assets	<u>30,951</u>
Liabilities	
Accounts payable	
Salaries and benefits payable	769
Deferred revenue	<u>2,873</u>
Total liabilities	<u>3,642</u>
Net assets	
Invested in capital assets, net of related debt	2,504
Unrestricted	<u>24,805</u>
Total net assets	<u>27,309</u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2006

	Nonmajor School Nutrition <u> </u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>110,985</u>
Operating expenses:	
Non-instructional programs:	
Salaries	52,766
Benefits	11,613
Supplies	93,379
Depreciation	<u>228</u>
	<u>157,986</u>
Operating gain (loss)	<u>(47,001)</u>
Non-operating revenue:	
State sources	2,340
Federal sources	60,027
Interest income	153
Total non-operating revenue	<u>62,520</u>
Change in net assets	15,519
Net assets beginning of year	<u>11,790</u>
Net assets end of year	<u><u>27,309</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	110,821
Cash payments to employees for services	(64,795)
Cash payments to suppliers for goods or services	(84,716)
Net cash used by operating activities	<u>(38,690)</u>
Cash flows from non-capital financing activities:	
State grants received	2,340
Federal grants received	52,223
Net cash provided by non-capital financing activities	<u>54,563</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(2,732)</u>
Cash flows from investing activities:	
Interest on investments	<u>153</u>
Net increase (decrease) in cash and cash equivalents	13,294
Cash and cash equivalents at beginning of year	<u>14,996</u>
Cash and cash equivalents at end of year	<u><u>28,290</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(47,001)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	7,804
Depreciation	228
Decrease (increase) in inventories	1,677
Decrease (increase) in accounts receivable	(46)
(Decrease) increase in accounts payable	(818)
(Decrease) increase in salaries and benefits payable	(416)
(Decrease) increase in deferred revenue	(118)
Net cash used in operating activities	<u><u>(38,690)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$7,804 of federal commodities.

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

1. Summary of Significant Accounting Policies

Glidden-Ralston Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Glidden and Ralston, Iowa and the predominately agricultural territory in a portion of Carroll and Greene 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, Glidden-Ralston Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Elmer Smith Scholarship School Trust meets the criteria for a component unit.

The board of directors of the Glidden-Ralston Community School District are also the trustees of the Elmer Smith Scholarship School Trust. Up to 60% of the Trust's income may benefit the Glidden-Ralston Community School District, \$1,000 annually benefits other local charities and the rest of the income provides college scholarships to graduates of the Glidden-Ralston Community School District. Under U.S. generally accepted governmental accounting standards the Trust should be included the District's financial statements. The Trust has not been included in these financial statements upon the advice of the Trust's legal counsel.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the 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 service.

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 asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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 clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental fund:

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

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

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 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 judgements, and compensated

absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The proprietary 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, have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% 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, furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

<u>Asset Class</u>	<u>Estimated Useful lives</u>
Buildings	50 years
Improvements other than buildings	5-25 years
Furniture and equipment	3-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the support services and other expenditures functions exceeded the amounts budgeted.

2. Cash and Pooled Investments

The District's deposits in banks 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.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Nonmajor Governmental: Management Levy Fund	4,139

Nonmajor Governmental:
 Physical Plant and Equipment Levy Fund Debt Service Fund 31,722

These interfund loans were made to facilitate cash flow.

4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	4,740,696	9,000	-	4,749,696
Furniture and equipment	319,594	52,491	14,000	358,085
Total capital assets being deprec.	<u>5,060,290</u>	<u>61,491</u>	<u>14,000</u>	<u>5,107,781</u>
Less accumulated depreciation for:				
Buildings	1,174,060	90,490	2,365	1,262,185
Furniture and equipment	259,929	18,462	11,652	266,739
Total accumulated depreciation	<u>1,433,989</u>	<u>108,952</u>	<u>14,017</u>	<u>1,528,924</u>
Total capital assets being depreciated, net	<u>3,626,301</u>	<u>(47,461)</u>	<u>(17)</u>	<u>3,578,857</u>
Governmental activities capital assets, net	<u>3,636,301</u>	<u>(47,461)</u>	<u>(17)</u>	<u>3,588,857</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	104,153	2,732	-	106,885
Less accumulated depreciation	<u>104,153</u>	<u>228</u>	<u>-</u>	<u>104,381</u>
Business type activities capital assets, net	<u>-</u>	<u>2,504</u>	<u>-</u>	<u>2,504</u>
Depreciation expense was charged to the following functions:				
				\$
Support Services:				
Transportation				14,239
Administration				1,150
Unallocated depreciation				<u>93,563</u>
Total depreciation expense – governmental activities				<u>108,952</u>
Business type activities:				
Food services				<u>228</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	2,275,000	2,020,000	2,045,000	2,250,000	130,000
Termination benefits	-	18,000	-	18,000	18,000
Total	2,275,000	2,038,000	2,045,000	2,268,000	148,000

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits will be paid in the next year.

At June 30, 2006, the District has an obligation to one participant with a total liability of \$18,000. Actual early retirement expenditures for the year ended June 30, 2006 totaled \$0.

General Obligation Bonds Payable

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

<u>Bond Issue of November 2005</u>				
<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	%	\$	\$	\$
2007	3.15	50,000	73,115	123,115
2008	3.25	50,000	71,540	121,540
2009	3.30	55,000	69,915	124,915
2010	3.40	55,000	68,100	123,100
2011	3.50	150,000	66,230	216,230
2012-2016	3.55-3.90	835,000	246,040	1,081,040
2017-2020	4.00-4.10	740,000	73,635	813,635
		<u>1,935,000</u>	<u>668,575</u>	<u>2,603,575</u>
<u>Bond Issue April 1, 2003</u>				
<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	%	\$	\$	\$
2007	2.00	80,000	8,550	88,550
2008	2.50	85,000	6,950	91,950
2009	3.00	85,000	4,825	89,825
2010	3.50	65,000	2,275	67,275
		<u>315,000</u>	<u>22,600</u>	<u>337,600</u>
Total		2,250,000	691,175	2,941,175

On November 1, 2005, the District issued \$2,020,000 of general obligation refunding bonds with interest rates ranging between 3.15% to 4.10%. The District issued the bonds to advance refund \$1,885,000 of the outstanding April 2001 general obligation bonds with interest rates of 4.70% to 5.0%. The District used the net proceeds to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2001 bonds. As a result, that portion of the 2001 bonds is considered defeased, and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$1,850,000 at June 30, 2006.

The advance refunding reduced total debt service payments over the next fifteen years by \$88,368. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$51,794.

6. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$94,884, \$96,978 and \$98,617 respectively, equal to the required contributions for each year.

7. Risk Management

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

8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$106,775 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.

9. Financial Condition

The Debt Service Fund and the Nonmajor Governmental, Management Levy Fund have deficit fund balances of \$29,947 and \$3,401 respectfully at June 30, 2006.

REQUIRED SUPPLEMENTARY INFORMATION

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,785,324	111,138	1,896,462	1,733,605	1,733,605	162,857
Intermediate sources	-	-	-	30	30	(30)
State sources	1,576,713	2,340	1,579,053	1,601,230	1,601,230	(22,177)
Federal sources	309,604	60,027	369,631	168,000	168,000	201,631
Total revenues	<u>3,671,641</u>	<u>173,505</u>	<u>3,845,146</u>	<u>3,502,865</u>	<u>3,502,865</u>	<u>342,281</u>
Expenditures:						
Instruction	1,739,663	-	1,739,663	2,621,913	2,621,913	882,250
Support services	1,036,756	-	1,036,756	967,000	967,000	(69,756)
Non-instructional programs	-	157,986	157,986	184,000	184,000	26,014
Other expenditures	545,432	-	545,432	347,943	347,943	(197,489)
Total expenditures	<u>3,321,851</u>	<u>157,986</u>	<u>3,479,837</u>	<u>4,120,856</u>	<u>4,120,856</u>	<u>641,019</u>
Excess (deficiency) of revenues over (under) expenditures	349,790	15,519	365,309	(617,991)	(617,991)	983,300
Other financing sources (uses) net	<u>99,070</u>	<u>-</u>	<u>99,070</u>	<u>1,000</u>	<u>1,000</u>	<u>98,070</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	448,860	15,519	464,379	(616,991)	(616,991)	1,081,370
Balance beginning of year	<u>1,245,193</u>	<u>11,790</u>	<u>1,256,983</u>	<u>1,196,711</u>	<u>1,196,711</u>	<u>60,272</u>
Balance end of year	<u><u>1,694,053</u></u>	<u><u>27,309</u></u>	<u><u>1,721,362</u></u>	<u><u>579,720</u></u>	<u><u>579,720</u></u>	<u><u>1,141,642</u></u>

GLIDDEN-RALSTON 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 Standard 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 Internal Service, 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 a GAAP basis.

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

During the year ended June 30, 2006, expenditures in the support services and other expenditures functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2006

Assets	Special Revenue Funds				Total \$
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Capital Projects	
	\$	\$	\$	\$	
Cash and pooled investments	-	19,131	428	260,549	280,108
Receivables:					
Property tax:					
Delinquent	738	-	286	-	1,024
Succeeding year	75,000	-	29,727	-	104,727
Accounts	-	603	-	-	603
Interfund receivable			31,722		31,722
Due from other governments	-	-	-	35,724	35,724
Total assets	75,738	19,734	62,163	296,273	453,908
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	2,678	9,000	-	11,678
Interfund payables	4,139	-	-	-	4,139
Deferred revenue:					
Succeeding year property tax	75,000	-	29,727	-	104,727
Total liabilities	<u>79,139</u>	<u>2,678</u>	<u>38,727</u>	<u>-</u>	<u>120,544</u>
Fund balances:					
Unreserved reported in:					
Special revenue funds	(3,401)	17,056	23,436	-	37,091
Capital projects funds	-	-	-	296,273	296,273
Total fund balances	<u>(3,401)</u>	<u>17,056</u>	<u>23,436</u>	<u>296,273</u>	<u>333,364</u>
Total liabilities and fund balances	75,738	19,734	62,163	296,273	453,908

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2006

	Special Revenue Funds				Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Capital Projects	
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	77,208	-	28,845	107,294	213,347
Other	-	152,258	24,937	2,275	179,470
State sources	42	-	17	-	59
Federal sources	-	-	24,051	-	24,051
Total revenues	<u>77,250</u>	<u>152,258</u>	<u>77,850</u>	<u>109,569</u>	<u>416,927</u>
Expenditures:					
Instruction:					
Other instruction	-	144,061	-	-	144,061
Support services:					
Operation and maintenance of plant services	45,191	-	-	-	45,191
Other expenditures:					
Facilities acquisition	-	-	90,171	7,806	97,977
Total expenditures	<u>45,191</u>	<u>144,061</u>	<u>90,171</u>	<u>7,806</u>	<u>287,229</u>
Net change in fund balance	32,059	8,197	(12,321)	101,763	129,698
Fund balances beginning of year	<u>(35,460)</u>	<u>8,859</u>	<u>35,757</u>	<u>194,510</u>	<u>203,666</u>
Fund balances end of year	<u><u>(3,401)</u></u>	<u><u>17,056</u></u>	<u><u>23,436</u></u>	<u><u>296,273</u></u>	<u><u>333,364</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Drama	(2,948)	685	583	-	(2,846)
Activity Officials	-	-	735	-	(735)
Vocal	(217)	1,410	1,624	(46)	(477)
Instrumental	795	5,310	4,790	-	1,315
Instrument repair and resale	(271)	-	-	-	(271)
Boys high school basketball	(2,612)	2,877	1,571	-	(1,306)
Junior high basketball	(3,857)	236	1,086	-	(4,707)
High school football	3,501	43,603	39,089	-	8,015
Junior high football	(3,187)	-	839	-	(4,026)
Baseball	(7,887)	20	3,166	-	(11,033)
Boys high school track	(1,654)	49	1,615	-	(3,220)
Girls high school basketball	64	2,795	2,170	-	689
Basketball cheerleaders	2,137	170	215	-	2,092
Volleyball	1,146	2,296	1,733	-	1,709
Junior high volleyball	(1,389)	-	617	-	(2,006)
Softball	(2,114)	-	2,598	-	(4,712)
Girls high school track	(1,772)	25	878	-	(2,625)
Junior high track	(963)	865	1,323	-	(1,421)
Student service fees	2,172	2,245	827	-	3,590
Text	128	-	-	-	128
Change (net)	(450)	-	-	-	(450)
Petty cash	175	-	-	-	175
Towels & padlocks	2,708	1	-	-	2,709
Resale (Fundraiser)	(5,585)	975	977	-	(5,587)
Resale	-	6,497	6,430	-	67
Activity tickets	19,460	6,350	8	-	25,802
Football cheerleaders	11	-	-	-	11
Class of 2003	(313)	-	-	-	(313)
Class of 2005	(199)	-	-	-	(199)
Class of 2006	1,298	305	1,334	-	269
Class of 2007	1,143	6,612	6,278	(75)	1,402
Class of 2008	1,749	2,060	363	-	3,446
Class of 2009	64	385	-	-	449
Class of 2010	271	105	43	-	333
Class of 2011	101	447	253	-	295
Class of 2012	(30)	-	-	-	(30)
FFA	9,215	33,299	30,858	(190)	11,466
FHA	464	612	1,045	-	31
Golf	(2,841)	721	1,178	-	(3,298)

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
AD supplies	(12,399)	1,074	1,349	13	(12,661)
Science club	1,079	15,714	16,193	157	757
Spanish club	1,372	1,358	1,079	45	1,696
Art club	53	-	-	-	53
Student council	4,302	2,637	2,651	43	4,331
Yearbook	4,773	8,415	4,690	198	8,696
Glidden school newspaper	1,366	420	596	-	1,190
Beginning accrual entries	-	263	2,000	-	(1,737)
Ending accrual entries	-	1,422	1,277	(145)	-
	<u>8,859</u>	<u>152,258</u>	<u>144,061</u>	<u>-</u>	<u>17,056</u>
Totals	<u>8,859</u>	<u>152,258</u>	<u>144,061</u>	<u>-</u>	<u>17,056</u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,293,991	1,322,892	1,492,713	1,432,979
Tuition	190,555	167,328	120,103	107,939
Other	300,778	192,146	213,455	160,354
State sources	1,576,713	1,589,601	1,385,722	1,512,614
Federal sources	309,604	146,316	186,944	201,311
Total revenues	<u>3,671,641</u>	<u>3,418,283</u>	<u>3,398,937</u>	<u>3,415,197</u>
Expenditures:				
Instruction:				
Regular instruction	1,080,908	1,354,536	1,318,801	1,292,268
Special instruction	225,238	250,374	249,298	288,332
Other instruction	433,517	346,666	393,174	385,160
Support services:				
Student services	163,758	140,147	142,473	141,113
Instructional staff services	222,871	65,348	62,310	67,260
Administration services	268,196	293,552	258,168	377,562
Operation and maintenance of plant services	271,928	191,399	194,765	199,920
Transportation services	110,003	96,621	79,725	80,847
Other expenditures:				
Facilities acquisition	97,977	41,733	24,576	801,454
Long-term debt:				
Principal	195,000	110,000	105,000	90,000
Interest and other charges	145,680	104,665	108,812	138,948
AEA flowthrough	106,775	107,439	107,798	116,673
Total expenditures	<u>3,321,851</u>	<u>3,102,480</u>	<u>3,044,900</u>	<u>3,979,537</u>

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

To the Board of Education of
Glidden-Ralston 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 Glidden-Ralston 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 November 14, 2006. Because the financial statements referred to above include only the primary government of the Glidden-Ralston Community School District they do not purport to, and do not present fairly the financial position and changes in financial position of the reporting entity of the Glidden-Ralston Community School District in conformity with accounting principles generally accepted in the United States of America. 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 Glidden-Ralston Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Glidden-Ralston 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 such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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 Glidden-Ralston Community School District and other parties to whom Glidden-Ralston 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 Glidden-Ralston 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

November 14, 2006

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

06-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

06-I-B Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The stamp is under the care, custody, and control of the administrative office. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate a person other than the Board President to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

06-II-A Certified Budget: Expenditures for the year ended June 30, 2006, exceeded the amounts budgeted in the support services and other expenditures functional areas.

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

District Response: We will amend future budgets before expenditures exceed the budget.

Conclusion: Response accepted.

06-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

06-II-C Travel Expenses: 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.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
◆ Sue Freml, Board Member, Vice President at First Bank and Trust	Bank Officer	-

The Board member is an officer of the bank that handles the majority of the bank transactions for the District. The Board should be mindful of the potential for a conflict when the bank may indirectly benefit from Board action.

Recommendation: The District should consult legal counsel to determine the disposition of these matters.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

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

06-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting (continued):

06-II-G Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.

06-II-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

06-II-I Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education after the due date.

06-II-J Financial Condition: The District has deficit fund balances in the Debt Service and Special Revenue, Management Funds of \$29,947 and \$3,401, respectively; also, the Student Activity Fund has several accounts with deficit balances at June 30, 2006.

Recommendation: The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits.

District Response: We are working on ways to eliminate the deficits.

Conclusion: Response accepted.

06-II-K Reclassification of Student Activity Fund Accounts: There are some accounts in the Student Activity Fund that may belong more appropriately in other funds.

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.