

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL
DISTRICT

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

June 30, 2004

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Independent Auditor's Report

To the Board of Education of
Woden-Crystal Lake 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 Woden-Crystal Lake Community School District, Woden, Iowa, as of and for the year ended June 30, 2004, 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, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Woden-Crystal Lake Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 12 to the financial statements, during the year ended June 30, 2004, Woden-Crystal Lake Community School District adopted Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement Number 38, Certain Financial Statement Note Disclosures; Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated November 2, 2004, on our consideration of Woden-Crystal Lake Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 11 and 37 through 39 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 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 Woden-Crystal Lake 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, 2003, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in 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 2, 2004

Woden-Crystal Lake Community School District Management Discussion & Analysis

This section of the Woden-Crystal Lake Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2004. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section. Because the Woden-Crystal Lake Community School District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

Financial Highlights

- General Fund revenues increased from \$1,584,576 in fiscal year 2003 to \$1,709,000 in fiscal 2004, while General Fund expenditures decreased from \$1,800,622 in fiscal 2003 to \$1,718,177 in fiscal 2004.
- The Woden-Crystal Lake CSD Board of Directors approved a Property Tax decrease from \$14.75698 to \$14.67986 per \$1,000 of taxable valuation.
- The State of Iowa imposed a 2% reduction in State Foundation Aid, Instructional Support Programs, Educational Excellence Allocations, Teacher Compensation Allocations, and Iowa Early Intervention Allocations in November, which decreased state FY04 revenues by approximately \$13,000 in the General Fund.
- Since the reduction occurred mid year, the District had already obligated the resources to fund fiscal 2004 salaries and programs. The District responded to the reduction by a combination of reducing expenditures in technology; purchased services; equipment and supplies; and using a portion of fund balance.
- Because of the reduction in revenues and the increase in salaries, benefits, utilities and special education costs the District's General Fund balance decreased by \$14,270.
- Voters in Winnebago and Hancock County passed a ten-year one-cent local option sales tax for school facilities, which is expected to generate at least an additional \$49,000 per year.

Overview of the Financial Statements

This 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 views of the District:

The first two statements are *Government-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 Government-wide statements.
- The *governmental funds statements* explain 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-term and long-term financial information about the activities the District operates like businesses, such as food services.
- *Fiduciary funds statements* provide information about the 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 relate to one another.

Figure A-1

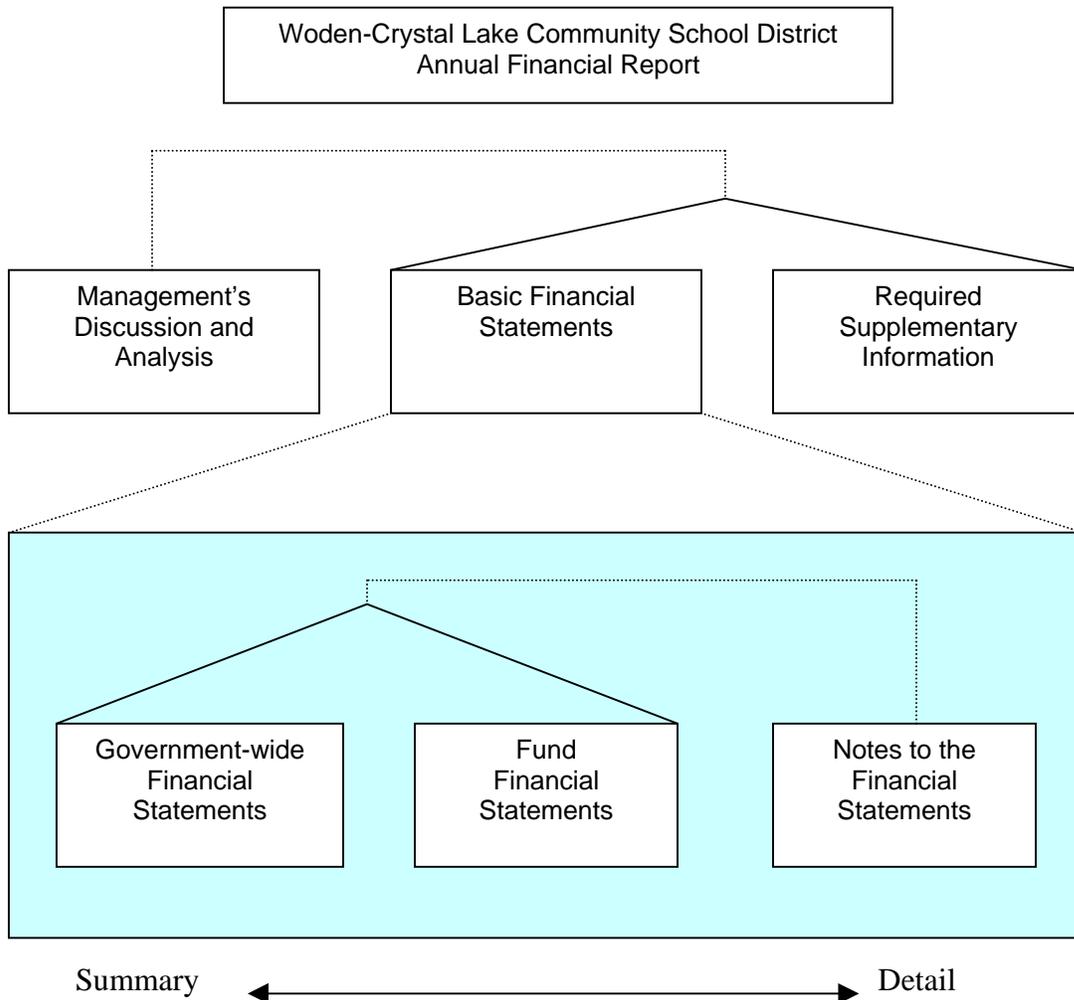


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents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

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

	Government-wide Statements	Fund Financial Statements		
		Governmental	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that is not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private business: food services are included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
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 balance 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flow 	<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 resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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

Government-wide Statements

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

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- 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 buildings and other facilities.

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 taxes 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 food service program 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 accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *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 you 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 Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements. The District's governmental funds include the General Fund and Special Revenue Funds that consist of Activity, Management, and Physical Plant and Equipment Levy funds.
- *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 statements. The District's enterprise fund, one type of a proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others, such as Scholarship funds. The District accounts for outside donations 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 Government-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets. The District's total net assets were slightly larger on June 30, 2004, than they were the year before, increasing \$85,740 (see *Figure A-3*). The largest increase is noted in the restricted area where the use of funds is limited by legislation. The increase in the restricted area was due to physical plant and equipment property tax levy and local option sales tax monies that were collected during the year, but not spent.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2003-2004
	2003	2004	2003	2004	2003	2004	
	\$	\$	\$	\$	\$	\$	
Current and other assets	1,483,212	1,657,902	2,327	(3,204)	1,485,539	1,654,698	11%
Capital assets	917,184	884,109	8,215	6,455	925,399	890,564	-4%
Total Assets	2,400,396	2,542,011	10,542	3,251	2,410,938	2,545,262	6%
Long-term liabilities	440,147	377,239	-	-	440,147	377,239	-14%
Other liabilities	1,470,842	1,578,966	2,163	5,531	1,473,005	1,584,497	8%
Total liabilities	1,910,989	1,956,205	2,163	5,531	1,913,152	1,961,736	3%
Net Assets:							
Invested in capital assets, net of related debt	477,037	511,978	8,215	6,455	485,252	518,433	7%
Restricted	71,993	147,721	-	-	71,993	147,721	105%
Unrestricted	(59,623)	(73,893)	164	(8,735)	(59,459)	(82,628)	-39%
TOTAL NET ASSETS	489,407	585,806	8,379	(2,280)	497,786	583,526	17%

Changes in net assets. Fiscal year 2003-2004 marks the initial District implementation of the GASB-34 financial reporting model. As a result, prior year comparisons are not available but will be provided in all subsequent years. *Figure A-4* reflects only totals from the current fiscal year ending June 30, 2004.

Figure A-4

Changes in Net Assets from Operating Results

	Governmental Activities	Business-type Activities	Total School District
	2004	2004	2004
	\$	\$	\$
Revenues			
Program Revenues			
Charges for services	188,250	30,513	218,763
Operating Grants & Contributions	238,038	28,775	266,813
Capital Grants & Contributions	9,615	-	9,615
General Revenues			
Property taxes & other taxes	1,021,769	-	1,021,769
Unrestricted State Grants	544,014	-	544,014
Unrestricted Investment Earnings	2,290	9	2,299
Other Revenue	9,231	-	9,231
Total Revenues	2,013,207	59,297	2,072,504
Expenses			
Instruction	1,229,742	-	1,229,742
Support Services	570,796	-	570,796
Non-Instructional Programs	-	72,056	72,056
Other Expenses	114,170	-	114,170
Total Expenses	1,914,708	72,056	1,986,764
Transfers	(2,100)	2,100	-
Change in Net Assets	96,399	(10,659)	85,740

Property taxes, other local taxes and unrestricted state aid account for 76% of the total revenue. The District's expenses relate primarily to instruction and support services, which account for 91% of total District expenses.

Governmental Activities

Referring to *Figure A-4*, revenues for the District's governmental activities were \$2,013,207 for fiscal year 2004. Total governmental expenditures were \$1,914,708. Almost all of the increase in net assets relates to proceeds from the physical plant and equipment property tax levy and local option sales taxes that were collected in fiscal year 2004, but will be spent in a future year.

Figure A-5 presents the cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses. The table 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. (As with *Figure A-4*, a two-year comparison with the prior fiscal year is not possible under the new GASB 34 format. In the future a two-year comparison will be provided.)

<i>Figure A-5</i>		
Net Cost of Governmental Activities		
	Total Cost of Services 2004	Net Cost of Services 2004
	\$	\$
Instruction	1,229,742	862,143
Support Services	570,796	565,526
Non-instructional Programs	-	-
Other Expenses	114,170	51,136
TOTAL	1,914,708	1,478,805

- The cost of all governmental activities this year was \$1,914,705.
- \$188,250 of the cost was financed by the users of the District's programs. Most of these revenues consist of tuition from other schools and proceeds from student activities
- The federal and state governments and private contributors subsidized certain programs with grants and contributions totaling \$247,653.
- Most of the District's costs of \$1,478,805 however, were financed by property taxes, income surtax, local option sales tax and unrestricted state sources.

Business Type Activities

The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income. Expenses exceeded revenues by \$12,759 for the year.

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$6,442, which is a \$66,358 increase over last year's balance.

Governmental Fund Highlights

The General Fund balance decreased from (\$133,312) at June 30, 2003 to \$(147,582) at June 30, 2004. The decrease was caused by several factors: the reduction in student enrollment, negotiated salary and benefit settlement, and events such as the Governor's 2.5% rollback; the elimination of Phase III funding; and the elimination of a sharing agreement of a staff member with a neighboring district. The district plans to improve the fund balance by staff reduction, technology spending, and scaling back purchases.

The Physical Plant and Equipment Levy (PPEL) Fund increased by \$33,897, which will be used to finish the elevator project, and balance will be used for building maintenance expense that will come up in the future.

The Capital Projects Fund was started during fiscal year 2004 to account for the proceeds from and expenditure of the local option sales tax. The balance in this fund will be used for future capital asset projects.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$8,379 at June 30, 2003 to (\$2,280) at June 30, 2004. The Hot Lunch Fund had a decrease in funds due to the fact the enrollment was down; kitchen expenses were up, and employee insurance was higher. We raised the price of the lunches to accommodate the raising expenses but due to the fact of declining enrollment; it was not enough to off set the expenses.

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. 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 budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

During fiscal year 2004, total revenues were far below expectations held when the FY04 budget was assembled in February 2003. Ultimately, budgeted amounts exceeded actual revenue by \$140,322. This was due to a variety of factors that could not have been anticipated when a budget estimate was assembled. State Aid was cut, miscellaneous income was lower than predicted due to low grant approval, special education costs were above budgeted costs, fewer open enrolled into the district than estimated, and reduction in AEA financial support.

Total budgeted disbursements exceeded actual disbursements by \$349,796 for the year. In the past the District has paid, in June, salaries due to teachers in July and August. However, at June 30, 2004 these salary payments were not made in June. Since the District budgets on the cash basis, cash basis disbursements only included 10 months of salary and benefit payments in fiscal year 2004.

Actual disbursements exceeded the budget by \$42,906 in the other expenditures functional area because construction projects, repairs and other building expenses were budgeted in an incorrect function.

Capital Asset and Debt Administration

Capital Assets

By the end of 2004, the District had invested \$890,564, net of accumulated depreciation, in a broad range of assets, including school buildings, athletic facilities, transportation equipment, and computer and audio-visual equipment (see *Figure A-6*). This amount represents a net decrease of \$34,835 or 4% from last year. (More detailed information about capital assets can be found in Note 6 to the financial statements.) Construction in progress includes the work done on the installation of an elevator at the high school. Approximately \$24,000 will be spent to complete the project. The District has also entered in to a \$23,940 contract for the construction of a bus barn. This project was started after June 30, 2004.

Figure A-6**Capital Assets (net of depreciation)**

	Governmental Activities		Business--type Activities		Total School District		Total Percentage Change 2003-04
	2003	2004	2003	2004	2003	2004	
	\$	\$	\$	\$	\$	\$	
Land	5,305	5,305	-	-	5,305	5,305	-
Construction in progress	52,004	79,458	-	-	52,004	79,458	53%
Buildings	714,827	690,894	-	-	714,827	690,894	-3%
Improvements	33,881	26,236	-	-	33,881	26,236	-23%
Equipment & Furniture	111,167	82,216	8,215	6,455	119,382	88,671	-26%
TOTAL	917,184	884,109	8,215	6,455	925,399	890,564	-4%

Long-Term Debt

At June 30, 2004, the District had \$377,239 in general obligation and other long-term debt outstanding (Figure A-7). This represents a decrease of approximately 13.70% from last year. Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7**Outstanding Long-Term debt**

	Total School Outstanding Long-Term Debt		Total Percentage Change
	2003	2004	2003-2004
	\$	\$	%
General obligation bonds	435,000	370,000	-15%
Equipment loan	5,147	2,131	-59%
Early retirement	-	5,108	-
Total	440,147	377,239	-14%

Factors Bearing on the District's Future

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

The amount of funding available to schools is highly dependent upon student enrollment. The September 2004 enrollment was down by four students.

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 of the money it receives. If you have questions about this report or need additional financial information, contact Susan Lewerke, Superintendent, Woden-Crystal Lake Community School District, 346 Howard Ave., Woden, Iowa 50484.

BASIC FINANCIAL STATEMENTS

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	485,879	-	485,879
Other	134,807	1,267	136,074
Receivables:			
Property tax:			
Delinquent	14,660	-	14,660
Succeeding year	894,869	-	894,869
Accrued interest:			
Accrued interest - ISCAP	1,030	-	1,030
Due from other governments	113,100	-	113,100
Interfund receivable/payable	6,357	(6,357)	-
Prepaid expenses	7,200	-	7,200
Inventories	-	1,886	1,886
Capital assets, net of accumulated depreciation	884,109	6,455	890,564
Total assets	2,542,011	3,251	2,545,262
Liabilities			
Accounts payable	75,496	-	75,496
Salaries and benefits payable	121,939	5,531	127,470
Accrued interest payable	1,195	-	1,195
Deferred revenue:			
Succeeding year property tax	894,869	-	894,869
ISCAP warrants payable	483,000	-	483,000
ISCAP accrued interest payable	1,561	-	1,561
ISCAP premium	906	-	906
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	65,000	-	65,000
Notes payable	2,131	-	2,131
Early retirement	5,108	-	5,108
Portion due after one year:			
General obligation bonds payable	305,000	-	305,000
Total liabilities	1,956,205	5,531	1,961,736

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	511,978	6,455	518,433
Restricted for:			
Management levy	28,166	-	28,166
Physical plant and equipment levy	38,122	-	38,122
Other special revenue purposes	22,033	-	22,033
Local option sales tax capital projects	45,816	-	45,816
Debt service	13,584	-	13,584
Unrestricted	<u>(73,893)</u>	<u>(8,735)</u>	<u>(82,628)</u>
Total net assets	<u><u>585,806</u></u>	<u><u>(2,280)</u></u>	<u><u>583,526</u></u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	858,229	82,540	163,542	-
Special instruction	239,764	27,269	20,951	-
Other instruction	131,749	73,171	126	-
	<u>1,229,742</u>	<u>182,980</u>	<u>184,619</u>	<u>-</u>
Support services:				
Student services	36,345	-	-	-
Instructional staff services	48,464	-	-	-
Administration services	220,935	-	-	-
Operation and maintenance of plant services	169,825	5,270	-	-
Transportation services	95,227	-	-	-
	<u>570,796</u>	<u>5,270</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	12,641	-	9,615	-
Long-term debt interest	16,532	-	-	-
AEA flowthrough	53,419	-	53,419	-
Depreciation (unallocated)*	31,578	-	-	-
	<u>114,170</u>	<u>-</u>	<u>63,034</u>	<u>-</u>
Total governmental activities	1,914,708	188,250	247,653	-
Business type activities:				
Non-instructional programs:				
Food service operations	72,056	30,513	28,775	-
Total	<u>1,986,764</u>	<u>218,763</u>	<u>276,428</u>	<u>-</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				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

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

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(612,147)	-	(612,147)
(191,544)	-	(191,544)
(58,452)	-	(58,452)
<u>(862,143)</u>	<u>-</u>	<u>(862,143)</u>
(36,345)	-	(36,345)
(48,464)	-	(48,464)
(220,935)	-	(220,935)
(164,555)	-	(164,555)
(95,227)	-	(95,227)
<u>(565,526)</u>	<u>-</u>	<u>(565,526)</u>
(3,026)	-	(3,026)
(16,532)	-	(16,532)
-	-	-
<u>(31,578)</u>	<u>-</u>	<u>(31,578)</u>
<u>(51,136)</u>	<u>-</u>	<u>(51,136)</u>
(1,478,805)	-	(1,478,805)
-	(12,768)	(12,768)
<u>(1,478,805)</u>	<u>(12,768)</u>	<u>(1,491,573)</u>
753,953	-	753,953
78,869	-	78,869
59,933	-	59,933
80,007	-	80,007
49,007	-	49,007
544,014	-	544,014
2,290	9	2,299
9,231	-	9,231
<u>1,577,304</u>	<u>9</u>	<u>1,577,313</u>
(2,100)	2,100	-
<u>1,575,204</u>	<u>2,109</u>	<u>1,577,313</u>
96,399	(10,659)	85,740
<u>489,407</u>	<u>8,379</u>	<u>497,786</u>
<u>585,806</u>	<u>(2,280)</u>	<u>583,526</u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2004

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Assets			
Cash and pooled investments:			
ISCAP	485,879	-	485,879
Other	-	134,807	134,807
Receivables:			
Property tax:			
Delinquent	12,212	2,448	14,660
Succeeding year	731,004	163,865	894,869
Accrued interest - ISCAP	1,030	-	1,030
Interfund receivable/payable	(1,387)	7,744	6,357
Prepaid expenses	-	7,200	7,200
Due from other governments	105,698	7,402	113,100
	<u>1,334,436</u>	<u>323,466</u>	<u>1,657,902</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	69,919	5,577	75,496
Salaries and benefits payable	121,939	-	121,939
ISCAP warrants payable	483,000	-	483,000
ISCAP accrued interest payable	1,561	-	1,561
ISCAP premium	906	-	906
Deferred revenue:			
Succeeding year property tax	731,004	163,865	894,869
Other	73,689	-	73,689
Total liabilities	<u>1,482,018</u>	<u>169,442</u>	<u>1,651,460</u>
Fund balances:			
Reserved for:			
Debt service	-	14,779	14,779
Unreserved	(147,582)	139,245	(8,337)
Total fund balances	<u>(147,582)</u>	<u>154,024</u>	<u>6,442</u>
	<u>1,334,436</u>	<u>323,466</u>	<u>1,657,902</u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (Exhibit C)	6,442
<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.	884,109
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	73,689
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	(1,195)
Long-term liabilities, including bonds payable, notes payable and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(377,239)</u>
Net assets of governmental activities (Exhibit A)	<u><u>585,806</u></u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	General Fund	Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	804,809	220,470	1,025,279
Tuition	96,848	-	96,848
Other	40,606	73,874	114,480
State sources	708,702	-	708,702
Federal sources	58,035	9,615	67,650
Total revenues	<u>1,709,000</u>	<u>303,959</u>	<u>2,012,959</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	840,820	-	840,820
Special instruction	239,764	-	239,764
Other instruction	49,973	77,891	127,864
	<u>1,130,557</u>	<u>77,891</u>	<u>1,208,448</u>
Support services:			
Student services	36,345	-	36,345
Instructional staff services	47,093	-	47,093
Administration services	214,835	1,238	216,073
Operation and maintenance of plant services	145,806	22,592	168,398
Transportation services	90,122	-	90,122
	<u>534,201</u>	<u>23,830</u>	<u>558,031</u>
Other expenditures:			
Facilities acquisition	-	40,095	40,095
Long-term debt:			
Principal	-	68,016	68,016
Interest and fiscal charges	-	16,740	16,740
AEA flowthrough	53,419	-	53,419
	<u>53,419</u>	<u>124,851</u>	<u>178,270</u>
Total expenditures	<u>1,718,177</u>	<u>226,572</u>	<u>1,944,749</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,177)</u>	<u>77,387</u>	<u>68,210</u>
Other financing sources (uses):			
Sales of materials and equipment	248	-	248
Operating transfers in	-	3,241	3,241
Operating transfers out	(5,341)	-	(5,341)
Total other financing sources (uses)	<u>(5,093)</u>	<u>3,241</u>	<u>(1,852)</u>
Net change in fund balances	(14,270)	80,628	66,358
Fund balances beginning of year, as restated	<u>(133,312)</u>	<u>73,396</u>	<u>(59,916)</u>
Fund balances end of year	<u>(147,582)</u>	<u>154,024</u>	<u>6,442</u>

WODEN-CRYSTAL LAKE 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, 2004

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		66,358
<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	27,454	
Depreciation expense	<u>(60,529)</u>	(33,075)
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.		68,016
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.		208
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement		<u>(5,108)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>96,399</u></u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds
June 30, 2004

	<u>Nonmajor School Nutrition</u> \$
Assets	
Cash and cash equivalents	1,267
Inventories	1,886
Capital assets, net of accumulated depreciation	<u>6,455</u>
Total assets	<u>9,608</u>
Liabilities	
Salaries and benefits payable	5,531
Interfund payables	<u>6,357</u>
Total liabilities	<u>11,888</u>
Net assets	
Invested in capital assets, net of related debt	6,455
Unrestricted	<u>(8,735)</u>
Total net assets	<u><u>(2,280)</u></u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2004

	Nonmajor School Nutrition <u> </u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>30,513</u>
Operating expenses:	
Non-instructional programs:	
Salaries	28,613
Benefits	14,160
Purchased services	1,046
Supplies	26,477
Depreciation	<u>1,760</u>
	<u>72,056</u>
Operating gain (loss)	<u>(41,543)</u>
Non-operating revenue:	
State sources	805
Federal sources	27,970
Interest income	9
Total non-operating revenue	<u>28,784</u>
Gain (loss) before transfers	(12,759)
Transfers in	<u>2,100</u>
Change in net assets	(10,659)
Net assets beginning of year	<u>8,379</u>
Net assets end of year	<u><u>(2,280)</u></u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2004

	Nonmajor School Nutrition \$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	30,513
Cash payments to employees for services	(37,242)
Cash payments to suppliers for goods or services	(20,464)
Net cash used by operating activities	<u>(27,193)</u>
Cash flows from non-capital financing activities:	
Transfers from other funds	2,100
Loans from other funds	6,357
State grants received	805
Federal grants received	21,352
Net cash provided by non-capital financing activities	<u>30,614</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>9</u>
Net increase (decrease) in cash and cash equivalents	3,430
Cash and cash equivalents at beginning of year	<u>(2,163)</u>
Cash and cash equivalents at end of year	<u><u>1,267</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(41,543)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	6,618
Depreciation	1,760
Decrease (increase) in inventories	441
(Decrease) increase in salaries and benefits payable	<u>5,531</u>
Net cash used in operating activities	<u><u>(27,193)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$6,618 of federal commodities.

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2004

	Agency - Crystal Lake Public Library
	<u>\$</u>
Assets	
Cash and pooled investments	<u>17,482</u>
Liabilities	
Accounts payable	206
Due to other governments	<u>17,276</u>
Total liabilities	<u>17,482</u>
Net Assets	<u><u>-</u></u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies

Woden-Crystal Lake 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 Woden and Crystal Lake, Iowa and the predominately agricultural territory in a portion of Hancock and Winnebago 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, Woden-Crystal Lake 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 Woden-Crystal Lake Community School District has no component units that 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 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, 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 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 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.

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 held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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, 2002 assessed property valuations; is for the tax accrual period July 1, 2003, through June 30, 2004, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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	-
Buildings	3,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

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	20-40 years
Improvements other than buildings	10-30 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which 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, 2004, disbursements in the other expenditures function exceeded the amount budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 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.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue, Management Fund	General Fund	\$ 7,744
General Fund	Enterprise, School Nutrition Fund	6,357

The loan from the Management Fund to the General Fund is for cash flow and the loan from the General Fund to the School Nutrition Fund represents Nutrition Fund salaries that were paid from the General Fund, but not reimbursed at year-end. The loans are expected to be repaid during the upcoming year.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
		\$
Debt Service Fund	General Fund	3,241
Enterprise, School Nutrition Fund	General Fund	2,100

The transfer between the General Fund and the Debt Service Fund moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The transfer from the General Fund to the Nutrition Fund subsidized operating expenses.

5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2004, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2003-04B	1/30/04	1/28/05	189,280	1,030	188,000	1,561
2004-05A	6/30/04	6/30/05	296,599	-	295,000	-
Total			<u>485,879</u>	<u>1,030</u>	<u>483,000</u>	<u>1,561</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	175,000	175,000	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2003-04A	2.000	1.050
2003-04B	2.000	1.310
2004-05A	3.000	2.463

6. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	52,004	27,454	-	79,458
Land	5,305	-	-	5,305
Total capital assets not being depr.	<u>57,309</u>	<u>27,454</u>	<u>-</u>	<u>84,763</u>
Capital assets being depreciated:				
Buildings	1,312,485	-	-	1,312,485
Improvements other than buildings	190,187	-	-	190,187
Furniture and equipment	504,136	-	-	504,136
Total capital assets being deprec.	<u>2,006,808</u>	<u>-</u>	<u>-</u>	<u>2,006,808</u>
Less accumulated depreciation for:				
Buildings	597,658	23,933	-	621,591
Improvements other than buildings	156,306	7,645	-	163,951
Furniture and equipment	392,969	28,951	-	421,920
Total accumulated depreciation	<u>1,146,933</u>	<u>60,529</u>	<u>-</u>	<u>1,207,462</u>
Total capital assets being depreciated, net	<u>859,875</u>	<u>(60,529)</u>	<u>-</u>	<u>799,346</u>
Governmental activities capital assets, net	<u>917,184</u>	<u>(33,075)</u>	<u>-</u>	<u>884,109</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	49,186	-	-	49,186
Less accumulated depreciation	<u>40,971</u>	<u>1,760</u>	<u>-</u>	<u>42,731</u>
Business type activities capital assets, net	<u>8,215</u>	<u>(1,760)</u>	<u>-</u>	<u>6,455</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	12,301
Other	3,885
Support Services:	
Instructional staff services	1,371
Administration services	4,862
Operation and maintenance of plant services	1,427
Transportation	5,105
	28,951
Unallocated depreciation	31,578
Total depreciation expense – governmental activities	60,529
Business type activities:	
Food services	1,760

7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	435,000	-	65,000	370,000	65,000
Equipment loan	5,147	-	3,016	2,131	2,131
Early retirement	-	5,108	-	5,108	5,108
	440,147	5,108	68,016	377,239	72,239
Total	440,147	5,108	68,016	377,239	72,239

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be between the ages [fifty-five and sixty-two](#) and must have completed [ten](#) years of service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on [difference between the current salary and the BA step 4 on the salary schedule](#).

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	November 1, 2001 Refunding Issue			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005	3.35	65,000	14,053	79,053
2006	3.50	70,000	11,875	81,875
2007	3.75	75,000	9,425	84,425
2008	4.00	75,000	6,612	81,612
2009	4.25	85,000	3,611	88,611
		370,000	45,576	415,576

Equipment Loan

The District borrowed \$10,500 in April, 2001 to purchase a vehicle. Payments are due as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2005	9.0	<u>2,131</u>	<u>192</u>	<u>2,323</u>

During the year ended June 30, 2004 the District made principal and interest payments totaling \$3,241 under the note agreement.

8. 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, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$46,010, \$52,324, and \$50,523 respectively, equal to the required contributions for each year.

9. Risk Management

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

Each member's contributions to ISEBA fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. The District's annual contributions to ISEBA for the year ended June 30, 2004, were \$124,988.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

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

Woden-Crystal Lake 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.

10. 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 \$53,419 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Construction Commitment

The District has entered into contracts totaling \$116,940 for the installation of an elevator and the construction of a bus barn. As of June 30, 2004 costs of \$69,110 had been incurred against the contracts. The balances remaining at June 30, 2004 will be paid as work on the projects progresses.

12. Accounting Change and Restatement

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities, and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	<u>Funds</u>		
	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
	\$	\$	\$
Net assets, June 30, 2003, as previously reported	(133,312)	73,396	(59,916)
GASB Interpretation 6 adjustments	-	-	-
Net assets, July 1, 2003, as restated for Governmental funds	<u>(133,312)</u>	<u>73,396</u>	<u>(59,916)</u>
GASB 34 adjustments:			
Capital assets net of accumulated depreciation of \$1,143,933			917,184
Long-term liabilities:			
Bonds		435,000	
Equipment notes		<u>5,147</u>	(440,147)
Accrued interest payable			(1,403)
Deferred revenue			<u>73,689</u>
Net assets, July 1, 2003, as restated			<u>489,407</u>

13. Financial Condition

The General Fund has a \$147,582 unreserved fund deficit and the School Nutrition has a net assets deficit of \$2,280 at June 30, 2004.

REQUIRED SUPPLEMENTARY INFORMATION

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	1,257,380	30,522	1,287,902	1,334,216	1,334,216	(46,314)
Intermediate sources	-	-	-	15,000	15,000	(15,000)
State sources	708,899	805	709,704	793,336	793,336	(83,632)
Federal sources	88,654	27,970	116,624	112,000	112,000	4,624
Total receipts	<u>2,054,933</u>	<u>59,297</u>	<u>2,114,230</u>	<u>2,254,552</u>	<u>2,254,552</u>	<u>(140,322)</u>
Disbursements:						
Instruction	1,140,442	-	1,140,442	1,228,627	1,228,627	88,185
Support services	523,936	-	523,936	747,277	747,277	223,341
Non-instructional programs	-	64,324	64,324	145,500	145,500	81,176
Other expenditures	184,578	-	184,578	141,672	141,672	(42,906)
Total disbursements	<u>1,848,956</u>	<u>64,324</u>	<u>1,913,280</u>	<u>2,263,076</u>	<u>2,263,076</u>	<u>349,796</u>
Excess (deficiency) of receipts over (under) disbursements	205,977	(5,027)	200,950	(8,524)	(8,524)	209,474
Other financing sources (uses) net	<u>(8,209)</u>	<u>8,457</u>	<u>248</u>	<u>-</u>	<u>-</u>	<u>248</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	197,768	3,430	201,198	(8,524)	(8,524)	209,722
Balance beginning of year	<u>(62,961)</u>	<u>(2,163)</u>	<u>(65,124)</u>	<u>221,811</u>	<u>221,811</u>	<u>(286,935)</u>
Balance end of year	<u>134,807</u>	<u>1,267</u>	<u>136,074</u>	<u>213,287</u>	<u>213,287</u>	<u>(77,213)</u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	2,054,933	(41,974)	2,012,959
Expenditures	1,848,956	95,793	1,944,749
Net	205,977	(137,767)	68,210
Other financing sources (uses) net	(8,209)	6,357	(1,852)
Beginning fund balances	(62,961)	3,045	(59,916)
Ending fund balances	<u>134,807</u>	<u>(128,365)</u>	<u>6,442</u>
	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	\$	\$	\$
Revenues	59,297	-	59,297
Expenditures	64,324	7,732	72,056
Net	(5,027)	(7,732)	(12,759)
Other financing sources (uses) net	8,457	(6,357)	2,100
Beginning fund balances	(2,163)	10,542	8,379
Ending fund balances	<u>1,267</u>	<u>(3,547)</u>	<u>(2,280)</u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

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 the [cash basis](#). Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

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

During the year ended June 30, [2004](#), disbursements in the [other expenditures function](#) exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds					Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Capital Projects	Debt Service	
	\$	\$	\$	\$	\$	
Cash and pooled investments	25,105	23,261	34,398	38,414	13,629	134,807
Receivables:						
Property tax:						
Delinquent	425	-	873	-	1,150	2,448
Succeeding year	30,000	-	54,812	-	79,053	163,865
Interfund receivable	7,744	-	-	-	-	7,744
Prepaid expenses	-	-	7,200	-	-	7,200
Due from other governments	-	-	-	7,402	-	7,402
Total assets	63,274	23,261	97,283	45,816	93,832	323,466
Liabilities & Fund Balances						
Liabilities:						
Accounts payable	-	1,228	4,349	-	-	5,577
Deferred revenue:						
Succeeding year property tax	30,000	-	54,812	-	79,053	163,865
Total liabilities	30,000	1,228	59,161	-	79,053	169,442
Fund balances:						
Reserved for debt service	-	-	-	-	14,779	14,779
Unreserved fund balance	33,274	22,033	38,122	45,816	-	139,245
Total fund balances	33,274	22,033	38,122	45,816	14,779	154,024
Total liabilities and fund balances	63,274	23,261	97,283	45,816	93,832	323,466

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Special Revenue Funds					Total
	Management	Student	Physical	Capitol	Debt	
	Levy	Activity	Plant and	Projects	Service	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	29,760	-	61,186	49,007	80,517	220,470
Other	591	73,251	-	-	32	73,874
Federal sources	-	-	9,615	-	-	9,615
Total revenues	<u>30,351</u>	<u>73,251</u>	<u>70,801</u>	<u>49,007</u>	<u>80,549</u>	<u>303,959</u>
Expenditures:						
Current:						
Instruction:						
Other instruction	-	77,891	-	-	-	77,891
Support services:						
Administration services	1,238	-	-	-	-	1,238
Operation and maintenance of plant services	22,592	-	-	-	-	22,592
Other expenditures:						
Facilities acquisition	-	-	36,904	3,191	-	40,095
Long-term debt:						
Principal	-	-	-	-	68,016	68,016
Interest and fiscal charges	-	-	-	-	16,740	16,740
Total expenditures	<u>23,830</u>	<u>77,891</u>	<u>36,904</u>	<u>3,191</u>	<u>84,756</u>	<u>226,572</u>
Excess (deficiency) of revenues over (under) expenditures	6,521	(4,640)	33,897	45,816	(4,207)	77,387
Other financing sources (uses):						
Operating transfers in	-	-	-	-	3,241	3,241
Net change in fund balances	6,521	(4,640)	33,897	45,816	(966)	80,628
Fund balances beginning of year, as restarted	<u>26,753</u>	<u>26,673</u>	<u>4,225</u>	<u>-</u>	<u>15,745</u>	<u>73,396</u>
Fund balances end of year	<u><u>33,274</u></u>	<u><u>22,033</u></u>	<u><u>38,122</u></u>	<u><u>45,816</u></u>	<u><u>14,779</u></u>	<u><u>154,024</u></u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance	Revenues	Expenditures	Balance End
	Beginning of			of Year
	Year			
	\$	\$	\$	\$
Interest	3,134	80	-	3,214
Student activities	1,878	869	777	1,970
Athletic resale	(676)	6,126	6,168	(718)
Athletics	18,532	17,157	25,208	10,481
Flag team	-	1,028	2,109	(1,081)
Summer recreation	4,511	45	996	3,560
Cheerleaders	(30)	1,948	1,862	56
Music	-	6,298	1,195	5,103
Sound system	(5,349)	-	-	(5,349)
Student council	2,432	7,425	9,540	317
Honor society	(546)	1,908	1,221	141
Drama	992	8,708	8,285	1,415
Picture display	(545)	-	-	(545)
Class of 2002	(3)	-	-	(3)
Class of 2003	249	-	-	249
Class of 2004	1,633	1,598	2,165	1,066
Class of 2005	862	8,235	8,267	830
Class of 2007	-	2,959	1,622	1,337
Designated	721	2,873	2,258	1,336
Christiansen scholarship	89	-	-	89
Annual	(284)	1,276	-	992
Annual 99-00	-	-	23	(23)
Annual 01-02	(1,232)	-	-	(1,232)
Annual 02-03	(386)	2,780	2,112	282
Annual 03-04	-	1,938	4,083	(2,145)
Stage curtain	691	-	-	691
Total	26,673	73,251	77,891	22,033

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund - City of Crystal Lake Public Library

Year ended June 30, 2004

	Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
Assets				
Cash	19,946	17,993	20,457	17,482
Liabilities				
Accounts payable	-	206	-	206
Due to other governments	19,946	17,993	20,663	17,276
Total liabilities	19,946	18,199	20,663	17,482

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,025,279	921,041	803,719	796,240
Tuition	96,848	109,311	157,971	171,033
Other	114,480	121,515	118,328	116,947
State sources	708,702	613,629	759,803	858,494
Federal sources	67,650	84,615	67,776	24,168
Total revenues	<u>2,012,959</u>	<u>1,850,111</u>	<u>1,907,597</u>	<u>1,966,882</u>
Expenditures:				
Instruction:				
Regular instruction	840,820	895,588	771,010	769,601
Special instruction	239,764	281,005	267,988	276,021
Other instruction	127,864	127,181	136,465	135,813
Support services:				
Student services	36,345	34,585	41,843	40,335
Instructional staff services	47,093	35,973	44,882	51,150
Administration services	216,073	225,597	231,958	187,399
Operation and maintenance of plant services	168,398	174,972	169,065	180,493
Transportation services	90,122	74,169	87,169	88,386
Central support services	-	-	1,185	1,179
Other expenditures:				
Facilities acquisition	40,095	45,545	-	-
Long-term debt:				
Principal	68,016	109,773	102,272	91,200
Interest and other charges	16,740	20,412	34,668	42,222
AEA flowthrough	53,419	55,541	58,261	61,372
Total expenditures	<u>1,944,749</u>	<u>2,080,341</u>	<u>1,946,766</u>	<u>1,925,171</u>

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

To the Board of Education of the
[Woden-Crystal Lake](#) Community School District:

We have audited the financial statements of the [Woden-Crystal Lake](#) Community School District as of and for the year ended June 30, [2004](#), and have issued our report thereon dated [November 2, 2004](#). We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether [Woden-Crystal Lake](#) 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 grants, noncompliance 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 noncompliance that are required to be reported under Government Auditing Standards. [However, we noted certain immaterial instances of noncompliance 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, [2004](#) 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. Prior year statutory comments have all been resolved except for items [04-II-B](#), and [04-II-K](#).

Internal Control over Financial Reporting

In planning and performing our audit, we considered [Woden-Crystal Lake](#) Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 judgement, 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 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 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 [04-I-A](#) is a material weakness. Prior year reportable conditions have all been resolved except for item [04-I-A](#).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the [Woden-Crystal Lake](#) Community School District and other parties to whom the 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 [Woden-Crystal Lake](#) 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 2, 2004](#)

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

04-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 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 investigate methods to increase monitoring activities 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. The District does perform internal audit checks as a check against the limited number of personnel.

Conclusion: Response accepted.

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Required Statutory Reporting:

04-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

04-II-B Certified Budget: Disbursements for the year ended June 30, 2004, exceeded the amount budgeted in the other expenditures function.

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

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

Conclusion: Response accepted.

04-II-C 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.

04-II-D 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.

04-II-E Business Transactions: We noted no transactions between the District and District officials or employees.

04-II-F 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.

04-II-G Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board. The Code of Iowa requires that board minutes and lists of bills approved by the board be published. We did not locate the publication for one special board meeting in May, 2004 and we did not locate the publications for the lists of approved bills for three months.

Recommendation: Minutes and lists of approved bills should be published within two weeks of the meeting as required by the Code of Iowa.

District Response: We will publish all minutes and lists of approved bills in the future.

Conclusion: Response accepted.

04-II-H Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

04-II-I 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.

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

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

04-II-J Certified Annual Report (CAR): The CAR was filed with the Department of Education after the due date. Adjustments to the financial statements, made after the CAR was filed, increased the General Fund ending fund balance by \$42,107. These changes will have a material effect on the calculation of unspent balance.

Recommendation: The District should contact the Iowa Department of Education about filing an amended CAR.

District Response: We will contact the Iowa Department of Education.

Conclusion: Response accepted.

04-II-K Financial Condition: The General Fund has an unreserved, undesignated fund deficit of \$147,582 and the School Nutrition Fund had a \$2,280 deficit net assets balance at June 30, 2004. The Student Activity Fund also has several accounts with deficit balances at June 30, 2004.

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

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

Conclusion: Response accepted.

04-II-L Allocation of Interest: We noted that interest from a pooled bank account is not being allocated to the Physical Plant and Equipment Levy and the Capital Projects Funds.

Recommendation: The District should allocate interest revenue to each fund within a pooled bank account.

District Response: We will review our procedures and make any necessary adjustments.

Conclusion: Response accepted.

04-II-M Fiscal Year Salary List: We noted the District has not published the salary list for the year ended June 30, 2004.

Recommendation: The District should publish the salary list in a timely manner to be in compliance with the Code of Iowa.

District Response: We will publish the salaries in a timely manner in the future.

Conclusion: Response accepted.