

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

JUNE 30, 2004

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Woodbine Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 election)		
Randall Pryor	President	2003
Ryan Sullivan	Vice President	2005
Patricia Skarin	Board Member	2004
Lynnette Lee	Board Member	2005
Joseph Ball	Board Member	2003
Board of Education (After September 2003 election)		
Joseph Ball	President	2006
Ryan Sullivan	Vice President	2005
Patricia Skarin	Board Member	2004
Lynnette Lee	Board Member	2005
Alan Ronk	Board Member	2006
School Officials		
Dr. Terry Hazard	Superintendent	2004
Connie Waite	Board Secretary/Treasurer	2004
Derrick Franck	Attorney	2004

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Woodbine Community School District 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 that our audit provides a reasonable basis for our opinions.

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

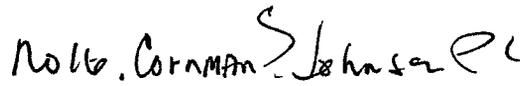
As described in Note 10 to the financial statements, during the year ended June 30, 2004, Woodbine Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 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 August 11, 2004 on our consideration of the Woodbine 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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing 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. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Woodbine 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 year ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2002 (none of which are presented herein) and expressed a qualified opinion on the combined balance sheet for the omission of the general fixed asset account group. An unqualified opinion was expressed on the operations statements for the two years ended June 30, 2002. The supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

August 11, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Woodbine 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, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the 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.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,861,335 in fiscal 2003 to \$3,943,992 in fiscal 2004, while General Fund expenditures increased from \$3,874,974 in fiscal 2003 to \$4,061,163 in fiscal 2004. This resulted in a decrease in the District's General Fund balance from \$655,028 in fiscal 2003 to a balance of \$537,857 in fiscal 2004, a 17.89% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in federal grant revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.
- Construction will continue this year. The Capital Projects Fund balance decreased from \$2,584,886 in fiscal 2003 to \$1,775,325 in fiscal 2004. This was due to partial construction completion.

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 Woodbine 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 Woodbine Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Woodbine Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

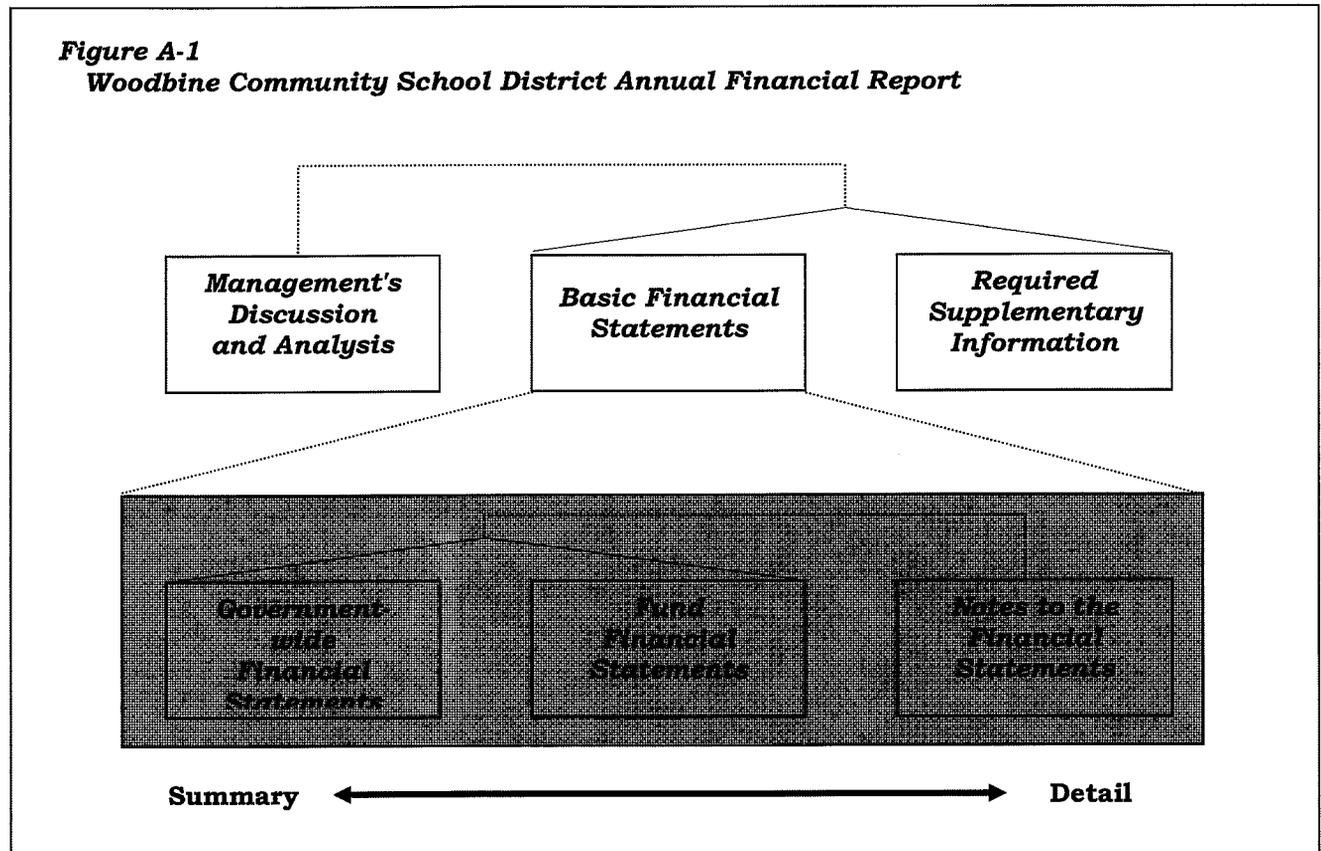


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Current and other assets	\$ 6,508,017	31,196	6,539,213
Capital assets	3,097,178	21,499	3,118,677
Total assets	<u>9,605,195</u>	<u>52,695</u>	<u>9,657,890</u>
Long-term obligations	3,410,402	0	3,410,402
Other liabilities	3,562,632	1,206	3,563,838
Total liabilities	<u>6,973,034</u>	<u>1,206</u>	<u>6,974,240</u>
Net assets:			
Invested in capital assets, net of related debt	1,472,594	21,499	1,494,093
Restricted	542,335	0	542,335
Unrestricted	617,232	29,990	647,222
Total net assets	<u>\$ 2,632,161</u>	<u>51,489</u>	<u>2,683,650</u>

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

Figure A-4
Changes of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Revenues:			
Program revenues:			
Charges for services	\$ 367,709	97,119	464,828
Operating grants and contributions and restricted interest	738,010	78,819	816,829
Capital grants and contributions and restricted interest	729,540	0	729,540
General revenues:			
Property tax	1,835,698	0	1,835,698
Local option sales and services tax	50,962	0	50,962
Unrestricted state grants	1,645,725	0	1,645,725
Other	68,598	9	68,607
Total revenues	<u>5,436,242</u>	<u>175,947</u>	<u>5,612,189</u>
Program expenses:			
Governmental activities:			
Instructional	2,817,862	0	2,817,862
Support services	1,413,867	0	1,413,867
Non-instructional programs	0	167,342	167,342
Other expenses	400,357	0	400,357
Total expenses	<u>4,632,086</u>	<u>167,342</u>	<u>4,799,428</u>
Changes in net assets	<u>\$ 804,156</u>	<u>8,605</u>	<u>812,761</u>

Property tax, local option sales and services tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,436,242 and expenses were \$4,632,086.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 2,817,862	1,865,600
Support services	1,413,867	1,413,867
Other expenses	400,357	(482,640)
Totals	<u>\$ 4,632,086</u>	<u>2,796,827</u>

- The cost financed by users of the District's programs was \$367,709.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,467,550.
- The net cost of governmental activities was financed with \$1,835,698 in property tax, \$50,962 in local option sales and services tax, \$1,645,725 in state foundation aid and \$68,598 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$175,945 and expenses were \$167,342. The District's business-type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,813,589, below last year's ending fund balances of a \$3,534,224. However, the primary reason for the decrease in combined fund balances in fiscal 2004 is due to the increase in capital construction expenditures.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position from \$655,028 to \$537,857 is the product of many factors:
 - An increase in revenues occurred due to increased federal sources, primarily from Medicaid direct funding.

-
- The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures, which was greater than the increase in revenues.
 - The Physical Plant and Equipment Levy Fund balance increased from \$237,112 to \$414,590 during the year. The reason the fund balance increased is due to the Instructional Support Levy tax funding as well as compensation from the damage of a roof.
 - The Capital Projects Fund balance decreased from \$2,584,886 to \$1,775,325 during the year. This decrease was due to anticipated capital construction expenditures.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$31,542 at June 30, 2003 to \$35,595 at June 30, 2004, representing an increase of 12.85%.

The Day Care Fund net assets increased from \$11,342 at June 30, 2003 to \$15,894 at June 30, 2004, representing an increase of 40.13%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Woodbine Community School District amended its annual budget one time to reflect additional expenditures associated with the other expenditures.

The District's revenues were \$17,353 more than budgeted revenues, a variance of .32%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$3.1 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$202,505.

The original cost of the District's capital assets was \$4.7 million. Governmental funds account for \$4.6 million with the remainder of \$0.1 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building category. The District's buildings totaled \$2,828,070 at June 30, 2004, compared to \$700,680 reported at June 30, 2003. This increase resulted from capitalization of capital improvements made during the previous and current year.

Figure A-6
Capital Assets, Net of Depreciation

	Capital Assets, Net of Depreciation		
	Governmental	Business-type	Total
	Activities	Activities	School District
	2004	2004	2004
Land	\$ 28,655	0	28,655
Construction in progress	98,248	0	98,248
Buildings	2,828,070	0	2,828,070
Machinery and equipment	142,205	6,516	148,721
Total	<u>\$ 3,097,178</u>	<u>6,516</u>	<u>3,103,694</u>

Long-Term Debt

At June 30, 2004, the District had \$3,410,402 in general obligation and other long-term debt outstanding. This represents a decrease of 2.8% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$3,360,000 at June 30, 2004.

The District had total outstanding Contract Settlement payable from the Special Revenue - Management Fund of \$13,728 at June 30, 2004.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$36,674 at June 30, 2004.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
General Obligation Bonds	\$ 3,360,000	3,480,000	-3.4%
Contract Settlement	13,728	0	100.0%
Early Retirement	36,674	27,340	34.1%
Totals	<u>\$ 3,410,402</u>	<u>3,507,340</u>	<u>-2.8%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

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 Connie Waite, District Secretary, Woodbine Community School District, 501 Weare Street, Woodbine, Iowa, 51579.

BASIC FINANCIAL STATEMENTS

WOODBINE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 5)	\$ 1,483,774	0	1,483,774
Other	2,844,615	26,131	2,870,746
Receivables:			
Property tax:			
Delinquent	25,180	0	25,180
Succeeding year	1,652,223	0	1,652,223
Income surtax	157,922	0	157,922
Interfund	46,950	0	46,950
Accounts	200	0	200
Accrued interest	3,352	0	3,352
Due from other governments	293,801	0	293,801
Inventories	0	5,065	5,065
Capital assets, net of accumulated depreciation(Note 6)	3,097,178	21,499	3,118,677
TOTAL ASSETS	9,605,195	52,695	9,657,890
LIABILITIES			
Interfund payable	46,950	0	46,950
Accounts payable	31,531	0	31,531
Salaries and benefits payable	310,769	0	310,769
ISCAP warrants payable(Note 5)	1,487,000	0	1,487,000
ISCAP interest payable(Note 5)	5,083	0	5,083
ISCAP unamortized premiums	2,950	0	2,950
Interest payable	26,126	0	26,126
Deferred revenue:			
Succeeding year property tax	1,652,223	0	1,652,223
Other	0	1,206	1,206
Long-term liabilities(Note 7):			
Portion due within one year:			
General obligation bonds payable	125,000	0	125,000
Contract settlement payable	4,576	0	4,576
Early retirement	10,478	0	10,478
Portion due after one year:			
General obligation bonds payable	3,235,000	0	3,235,000
Contract settlement payable	9,152	0	9,152
Early retirement	26,196	0	26,196
TOTAL LIABILITIES	6,973,034	1,206	6,974,240
NET ASSETS			
Investment in capital assets, net of related debt	1,472,594	21,499	1,494,093
Restricted for:			
Talented and Gifted	954	0	954
Teacher Compensation	3,896	0	3,896
Management levy	6,567	0	6,567
Physical plant and equipment levy	488,287	0	488,287
Other special revenue purposes	42,631	0	42,631
Unrestricted	617,232	29,990	647,222
TOTAL NET ASSETS	\$ 2,632,161	51,489	2,683,650

SEE NOTES TO FINANCIAL STATEMENTS.

WOODBINE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,928,524	71,399	565,600	0
Special instruction	506,712	119,172	18,953	0
Other instruction	382,626	177,138	0	0
	<u>2,817,862</u>	<u>367,709</u>	<u>584,553</u>	<u>0</u>
Support services:				
Student services	149,263	0	0	0
Instructional staff services	8,510	0	0	0
Administration services	539,786	0	0	0
Operation and maintenance of plant services	408,316	0	0	0
Transportation services	258,153	0	0	0
Central support services	49,839	0	0	0
	<u>1,413,867</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other expenditures:				
Facilities acquisitions	0	0	0	729,540
Long-term debt interest and fiscal charges	174,290	0	0	0
AEA flowthrough	153,457	0	153,457	0
Depreciation (unallocated)*	72,610	0	0	0
	<u>400,357</u>	<u>0</u>	<u>153,457</u>	<u>729,540</u>
Total governmental activities	4,632,086	367,709	738,010	729,540
Business-Type activities:				
Non-instructional programs:				
Nutrition services	154,608	79,833	78,819	0
Day care services	12,734	17,286	0	0
Total business-type activities	<u>167,342</u>	<u>97,119</u>	<u>78,819</u>	<u>0</u>
Total	<u>\$ 4,799,428</u>	<u>464,828</u>	<u>816,829</u>	<u>729,540</u>

General Revenues:

Property tax levied for:
 General purposes
 Capital projects
 Debt service
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings

Total general revenues

Changes in net assets

Net assets beginning of year, as restated (Note 10)

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,291,525)	0	(1,291,525)
(368,587)	0	(368,587)
(205,488)	0	(205,488)
<u>(1,865,600)</u>	<u>0</u>	<u>(1,865,600)</u>
(149,263)	0	(149,263)
(8,510)	0	(8,510)
(539,786)	0	(539,786)
(408,316)	0	(408,316)
(258,153)	0	(258,153)
(49,839)	0	(49,839)
<u>(1,413,867)</u>	<u>0</u>	<u>(1,413,867)</u>
729,540	0	729,540
(174,290)	0	(174,290)
0	0	0
(72,610)	0	(72,610)
<u>482,640</u>	<u>0</u>	<u>482,640</u>
(2,796,827)	0	(2,796,827)
0	4,044	4,044
0	4,552	4,552
0	8,596	8,596
<u>(2,796,827)</u>	<u>8,596</u>	<u>(2,788,231)</u>
\$ 1,362,099	0	1,362,099
164,375	0	164,375
309,224	0	309,224
50,962	0	50,962
1,645,725	0	1,645,725
68,598	9	68,607
<u>3,600,983</u>	<u>9</u>	<u>3,600,992</u>
804,156	8,605	812,761
<u>1,828,005</u>	<u>42,884</u>	<u>1,870,889</u>
<u>\$ 2,632,161</u>	<u>51,489</u>	<u>2,683,650</u>

WOODBINE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments:					
ISCAP(Note 5)	\$ 1,483,774	0	0	0	1,483,774
Other	734,565	413,056	1,570,042	126,952	2,844,615
Receivables:					
Property tax:					
Delinquent	18,031	1,534	0	5,615	25,180
Succeeding year	1,206,340	165,048	0	280,835	1,652,223
Income surtax	84,225	73,697	0	0	157,922
Interfund	0	0	46,950	0	46,950
Accounts	0	0	0	200	200
Accrued ISCAP interest(Note 5)	3,352	0	0	0	3,352
Due from other governments	129,325	0	164,476	0	293,801
TOTAL ASSETS	\$ 3,659,612	653,335	1,781,468	413,602	6,508,017
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund payable	\$ 0	0	0	46,950	46,950
Accounts payable	25,388	0	6,143	0	31,531
Salaries and benefits payable	310,769	0	0	0	310,769
ISCAP warrants payable(Note 5)	1,487,000	0	0	0	1,487,000
ISCAP interest payable(Note 5)	5,083	0	0	0	5,083
ISCAP unamortized premiums	2,950	0	0	0	2,950
Deferred revenue:					
Succeeding year property tax	1,206,340	165,048	0	280,835	1,652,223
Income surtax	84,225	73,697	0	0	157,922
Total liabilities	3,121,755	238,745	6,143	327,785	3,694,428
Fund balances:					
Reserved for:					
Talented and Gifted	954	0	0	0	954
Teacher Compensation	3,896	0	0	0	3,896
Unreserved:					
General	533,007	0	0	0	533,007
Physical plant and equipment levy	0	414,590	0	0	414,590
Capital projects	0	0	1,775,325	0	1,775,325
Management levy	0	0	0	56,969	56,969
Debt service	0	0	0	(13,783)	(13,783)
Other special revenue purposes	0	0	0	42,631	42,631
Total fund balances	537,857	414,590	1,775,325	85,817	2,813,589
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,659,612	653,335	1,781,468	413,602	6,508,017

SEE NOTES TO FINANCIAL STATEMENTS.

WOODBINE 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(page 16)	\$ 2,813,589
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.	3,097,178
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	157,922
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.	(26,126)
Long-term liabilities, including early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,410,402)</u>
Net assets of governmental activites(page 13)	<u><u>\$ 2,632,161</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WOODBINE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,289,980	171,505	50,962	377,945	1,890,392
Tuition	190,571	0	0	0	190,571
Other	80,022	2,143	45,516	118,055	245,736
Intermediate sources	6,071	0	0	0	6,071
State sources	2,023,876	69	0	247	2,024,192
Federal sources	353,472	583,074	146,466	0	1,083,012
Total revenues	3,943,992	756,791	242,944	496,247	5,439,974
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	1,897,881	0	0	5,446	1,903,327
Special instruction	506,712	0	0	0	506,712
Other instruction	290,239	0	0	100,387	390,626
	2,694,832	0	0	105,833	2,800,665
Support services:					
Student services	141,761	0	0	7,502	149,263
Instructional staff services	8,510	0	0	0	8,510
Administration services	539,786	0	0	0	539,786
Operation and maintenance of plant services	356,995	64,657	0	0	421,652
Transportation services	165,822	50,481	0	9,334	225,637
Central support	0	0	0	49,839	49,839
	1,212,874	115,138	0	66,675	1,394,687
Other expenditures:					
Facilities acquisitions	0	1,300	1,635,579	0	1,636,879
Long-term debt:					
Principal	0	0	0	120,000	120,000
Interest and fiscal charges	0	0	0	175,120	175,120
AEA flowthrough	153,457	0	0	0	153,457
	153,457	1,300	1,635,579	295,120	2,085,456
Total expenditures	4,061,163	116,438	1,635,579	467,628	6,280,808
Excess(deficiency) of revenues over(under) expenditures	(117,171)	640,353	(1,392,635)	28,619	(840,834)
OTHER FINANCING SOURCES(USES):					
Transfer in	0	0	583,074	0	583,074
Transfer out	0	(583,074)	0	0	(583,074)
Compensation for loss of capital assets	0	120,199	0	0	120,199
	0	(462,875)	583,074	0	120,199
Net change in fund balances	(117,171)	177,478	(809,561)	28,619	(720,635)
Fund balance beginning of year, as restated(Note 10)	655,028	237,112	2,584,886	57,198	3,534,224
Fund balance end of year	\$ 537,857	414,590	1,775,325	85,817	2,813,589

SEE NOTES TO FINANCIAL STATEMENTS.

WOODBINE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2004

Net change in fund balances - total governmental funds (page 18)		\$ (720,635)
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:</p>		
Capital outlays	\$ 1,542,497	
Depreciation expense	<u>(111,742)</u>	1,430,755
<p>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.</p>		
		830
<p>Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.</p>		
		120,000
<p>Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.</p>		
		(3,732)
<p>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.</p>		
Contract Settlement	\$ (13,728)	
Early Retirement	<u>(9,334)</u>	(23,062)
Changes in net assets of governmental activities (page 15)		<u>\$ 804,156</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WOODBINE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004

	School Nutrition	Day Care	Total
ASSETS			
Cash and pooled investments	\$ 10,237	15,894	26,131
Inventories	5,065	0	5,065
Capital assets, net of accumulated depreciation(Note 6)	21,499	0	21,499
TOTAL ASSETS	36,801	15,894	52,695
LIABILITIES			
Deferred revenue:			
Other	1,206	0	1,206
TOTAL LIABILITIES	1,206	0	1,206
NET ASSETS			
Investment in capital assets, net of related debt	21,499	0	21,499
Unrestricted	14,096	15,894	29,990
TOTAL NET ASSETS	\$ 35,595	15,894	51,489

SEE NOTES TO FINANCIAL STATEMENTS.

WOODBINE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004

	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 79,834	17,286	97,120
TOTAL OPERATING REVENUES	79,834	17,286	97,120
OPERATING EXPENSES:			
Non-instructional programs:			
Food service operations:			
Salaries	45,077	8,571	53,648
Benefits	25,030	1,148	26,178
Services	615	0	615
Supplies	83,527	3,015	86,542
Depreciation	359	0	359
TOTAL OPERATING EXPENSES	154,608	12,734	167,342
OPERATING LOSS	(74,774)	4,552	(70,222)
NON-OPERATING REVENUES:			
State sources	2,521	0	2,521
Federal sources	76,297	0	76,297
Interest income	9	0	9
TOTAL NON-OPERATING REVENUES	78,827	0	78,827
Changes in net assets	4,053	4,552	8,605
Net assets beginning of year	31,542	11,342	42,884
Net assets end of year	\$ 35,595	15,894	51,489

SEE NOTES TO FINANCIAL STATEMENTS.

WOODBINE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 79,187	0	79,187
Cash received from miscellaneous sources	471	17,286	17,757
Cash payments to employees for services	(70,107)	(9,719)	(79,826)
Cash payments to suppliers for goods or services	(70,539)	(3,015)	(73,554)
Net cash provided by(used in) operating activities	(60,988)	4,552	(56,436)
Cash flows from non-capital financing activities:			
State grants received	2,521	0	2,521
Federal grants received	63,568	0	63,568
Net cash provided by non-capital financing activities	66,089	0	66,089
Cash flows from capital financing activities:			
Acquisition of assets	(4,311)	0	(4,311)
Net cash used in capital financing activities	(4,311)	0	(4,311)
Cash flow from investing activities:			
Interest on investments	9	0	9
Net cash provided by investing activities	9	0	9
Net increase in cash and cash equivalents	799	4,552	5,351
Cash and cash equivalents at beginning of year	9,438	11,342	20,780
Cash and cash equivalents at end of year	\$ 10,237	15,894	26,131
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (74,774)	4,552	(70,222)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	12,729	0	12,729
Depreciation	359	0	359
Decrease in inventories	874	0	874
Decrease in deferred revenue	(176)	0	(176)
Net cash provided by(used in) operating activities	\$ (60,988)	4,552	(56,436)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 10,237	15,894	26,131
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
During the year ended June 30, 2004, the District received Federal commodities valued at \$12,729.			

SEE NOTES TO FINANCIAL STATEMENTS.

WOODBINE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

(1) Summary of Significant Accounting Policies

The Woodbine Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Woodbine, Iowa, and the predominate agricultural territory in Harrison, Monona and Shelby 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, Woodbine 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 Woodbine Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following proprietary funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 0
Buildings	1,200
Land improvements	1,200
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,200

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

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

Salaries and Benefits Payable - Payroll and related expenditures for extra duties and curriculum work for the current school year, which is paid in July and August, have been accrued as liabilities.

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

receivables and other receivables not collected within sixty days after year end.

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

Long-term 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 functional areas exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits 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 at June 30, 2004.

(3) **Interfund Receivables and Payables**

Individual interfund receivable and payable balances at June 30, 2004 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	Debt Service	<u>\$ 46,950</u>

(4) Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects	Physical Plant and Equipment Levy	<u>\$ 583,074</u>

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

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools 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. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA 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	Accrued		Accrued	
			Investments	Interest Receivable	Warrants Payable	Interest Payable
2003-04B	1/30/04	1/28/05	\$ 616,168	3,352	612,000	5,083
2004-05A	6/30/04	6/30/05	867,606	0	875,000	0
Total			<u>\$ 1,483,774</u>	<u>3,352</u>	<u>1,487,000</u>	<u>5,083</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, and 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:

Series	Balance			Balance
	Beginning of Year	Advances Received	Advances Repaid	End of Year
2003-04A	\$ 0	50,000	50,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as 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 (Note 9)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 28,655	0	0	28,655
Construction in progress	782,868	98,248	782,868	98,248
Total capital assets not being depreciated	811,523	98,248	782,868	126,903
Capital assets being depreciated:				
Buildings	1,538,500	2,200,000	0	3,738,500
Land improvements	85,089	0	0	85,089
Machinery and equipment	580,482	27,117	0	607,599
Total capital assets being depreciated	2,204,071	2,227,117	0	4,431,188
Less accumulated depreciation for:				
Buildings	837,820	72,610	0	910,430
Land improvements	85,089	0	0	85,089
Machinery and equipment	426,262	39,132	0	465,394
Total accumulated depreciation	1,349,171	111,742	0	1,460,913
Total capital assets being depreciated, net	854,900	2,115,375	0	2,970,275
Governmental activities capital assets, net	\$ 1,666,423	2,213,623	782,868	3,097,178
Business-type activities:				
Machinery and equipment	\$ 41,953	4,311	0	46,264
Less accumulated depreciation	24,406	359	0	24,765
Business-type activities capital assets, net	\$ 17,547	3,952	0	21,499

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 62,345
Other		4,584
Support services:		
Student		4,039
Instructional staff		8,254
Operation and maintenance of plant		4,108
Transportation		46,573
		<u>129,903</u>
Unallocated depreciation		<u>68,438</u>
		<u>\$ 198,341</u>
Business-type activities:		
Food services		\$ 359
Total business-type activities depreciation expense		<u>\$ 359</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 3,480,000	0	120,000	3,360,000	125,000
Contract Settlement	0	13,728	0	13,728	4,576
Early Retirement	27,340	14,780	5,446	36,674	10,478
Total	<u>\$ 3,507,340</u>	<u>28,508</u>	<u>125,446</u>	<u>3,410,402</u>	<u>140,054</u>

General Obligation Bonds Payable

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

Year Ending June 30,	Issue of January 1, 2002			Issue of December 1, 1990			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2005	5.00 %	\$ 80,000	154,630	4.35 %	\$ 45,000	14,205	\$ 125,000	168,835	293,835
2006	5.00	85,000	150,630	4.40	50,000	12,247	135,000	162,877	297,877
2007	5.00	90,000	146,380	4.45	55,000	10,048	145,000	156,428	301,428
2008	5.00	100,000	141,880	4.50	50,000	7,600	150,000	149,480	299,480
2009	5.00	100,000	136,880	4.60	55,000	5,350	155,000	142,230	297,230
2010	5.00	105,000	131,880	4.70	60,000	2,820	165,000	134,700	299,700
2011-2015	4.88-5.25	970,000	538,950	-	-	-	970,000	538,950	1,508,950
2016-2020	5.00-5.20	1,230,000	268,811	-	-	-	1,230,000	268,811	1,498,811
2021	5.20	285,000	14,820	-	-	-	285,000	14,820	299,820
Total		<u>\$ 3,045,000</u>	<u>1,684,861</u>		<u>\$ 315,000</u>	<u>52,270</u>	<u>\$ 3,360,000</u>	<u>1,737,131</u>	<u>5,097,131</u>

Contract Settlement

During the year ended June 30, 2004, the District entered into a contract settlement agreement with an Employee for termination of contract. This settlement requires the District to pay health insurance to the employee of \$381.32 per month for three years. The balance remaining outstanding at June 30, 2004 is \$13,728.

Early Retirement

The District offers a voluntary early retirement plan to its certified and non-certified employees. Eligible employees must be at least age fifty-five and employees must have completed twenty years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2004, totaled \$5,446. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(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 years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$136,955, \$134,791 and \$129,641 respectively, equal to the required contributions for each year.

(9) Risk Management

Woodbine Community School District is a member in the Iowa School Employees Benefits Association, and 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 funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a GAAP 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. District contributions to ISEBA for the year ended June 30, 2004 were \$378,319.

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.

Woodbine 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.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$153,457 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.

(10) Accounting Change and Restatements

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

Governmental Accounting Standards Board (GASB) 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, and Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; were implemented during 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 District-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 split the District's programs between business-type and governmental activities. The

beginning net asset amount 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.

Beginning capital assets for governmental activities of \$2,037,417 were restated to \$3,015,594. The restatement primarily removed assets below the District's capitalization threshold and added previous year construction expenditures as construction in progress.

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

	Fund				Total
	General	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	
Net assets, June 30, 2003, as previously reported	\$ 655,028	237,112	2,584,886	57,198	3,534,224
GASB Interpretation 6 adjustments	0	0	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	<u>\$ 655,028</u>	<u>237,112</u>	<u>2,584,886</u>	<u>57,198</u>	<u>3,534,224</u>
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$1,349,171					1,666,423
Income surtax					161,654
Long-term liabilities:					
General obligation bonds payable				\$ 3,480,000	
Early retirement payable				27,340	(3,507,340)
Interest payable					(26,956)
Net assets, July 1, 2003, as restated					<u>\$ 1,828,005</u>

(11) Deficit Fund Balance

The Debt Service Fund had a deficit unreserved fund balance of \$13,373 at June 30, 2004.

(12) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2004, disbursements in the other expenditures functional program area exceeded the amount budgeted.

REQUIRED SUPPLEMENTAL INFORMATION

WOODBINE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Types Actual
Receipts:		
Local sources	\$ 2,279,355	96,952
Intermediate sources	6,071	0
State sources	2,021,657	2,985
Federal sources	890,780	75,834
Total receipts	<u>5,197,863</u>	<u>175,771</u>
Disbursements:		
Instruction	2,826,910	0
Support services	1,348,254	0
Non-instructional programs	0	170,420
Other expenditures	2,327,031	0
Total disbursements	<u>6,502,195</u>	<u>170,420</u>
Excess(deficiency) of receipts over(under) disbursements	(1,304,332)	5,351
Other financing sources, net	<u>120,199</u>	<u>0</u>
Excess(deficiency) of receipts and other financing sources over(under) disbursements	(1,184,133)	5,351
Balance beginning of year	<u>4,028,748</u>	<u>20,780</u>
Balance end of year	<u>\$ 2,844,615</u>	<u>26,131</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,376,307	2,676,785	2,676,785	(300,478)
6,071	0	0	6,071
2,024,642	2,129,496	2,129,496	(104,854)
966,614	550,000	550,000	416,614
<u>5,373,634</u>	<u>5,356,281</u>	<u>5,356,281</u>	<u>17,353</u>
2,826,910	3,108,000	3,108,000	281,090
1,348,254	5,906,787	5,906,787	4,558,533
170,420	260,500	260,500	90,080
2,327,031	479,003	479,003	(1,848,028)
<u>6,672,615</u>	<u>9,754,290</u>	<u>9,754,290</u>	<u>3,081,675</u>
(1,298,981)	(4,398,009)	(4,398,009)	3,099,028
<u>120,199</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>(879,801)</u>
(1,178,782)	(3,398,009)	(3,398,009)	2,219,227
<u>4,049,528</u>	<u>5,213,412</u>	<u>5,213,412</u>	<u>(1,163,884)</u>
<u>2,870,746</u>	<u>1,815,403</u>	<u>1,815,403</u>	<u>1,055,343</u>

WOODBINE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

	Governmental Funds		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 5,197,863	242,111	5,439,974
Expenses	6,502,195	(217,042)	6,285,153
Net	(1,304,332)	459,153	(845,179)
Other financing sources, net	120,199	0	120,199
Beginning fund balances	4,028,748	(490,179)	3,538,569
Ending fund balances	\$ 2,844,615	(31,026)	2,813,589

	Proprietary Funds		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 175,771	176	175,947
Expenses	170,420	(3,078)	167,342
Net	5,351	3,254	8,605
Beginning net assets	20,780	22,104	42,884
Ending net assets	\$ 26,131	25,358	51,489

WOODBINE 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 private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

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

During the year ended June 30, 2004, disbursements in the other expenditures functional area exceeded the amount budgeted.

OTHER SUPPLEMENTAL INFORMATION

WOODBINE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Special Revenue Funds				Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Total Special Revenue Funds	Debt Service	
ASSETS					
Cash and pooled investments	\$ 55,947	42,431	98,378	28,574	126,952
Receivables:					
Property tax:					
Current year delinquent	1,022	0	1,022	4,593	5,615
Succeeding year	85,000	0	85,000	195,835	280,835
Accounts	0	200	200	0	200
TOTAL ASSETS	\$ 141,969	42,631	184,600	229,002	413,602
LIABILITIES AND FUND EQUITY					
Liabilities:					
Interfund payable	\$ 0	0	0	46,950	46,950
Deferred revenue:					
Succeeding year property tax	85,000	0	85,000	195,835	280,835
	85,000	0	85,000	242,785	327,785
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	56,969	42,631	99,600	(13,783)	85,817
Total fund balances	56,969	42,631	99,600	(13,783)	85,817
TOTAL LIABILITIES AND FUND EQUITY	\$ 141,969	42,631	184,600	229,002	413,602

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODBINE 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
	Manage- ment	Student Activity	Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ 68,721	0	68,721	309,224	377,945
Other	1,018	114,894	115,912	2,143	118,055
State sources	46	0	46	201	247
TOTAL REVENUES	69,785	114,894	184,679	311,568	496,247
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	5,446	0	5,446	0	5,446
Other instruction	0	100,387	100,387	0	100,387
Support services:					
Student support	7,502	0	7,502	0	7,502
Student transportation	9,334	0	9,334	0	9,334
Central support	49,839	0	49,839	0	49,839
Other:					
Long-term debt:					
Principal	0	0	0	120,000	120,000
Interest and fiscal charges	0	0	0	175,120	175,120
TOTAL EXPENDITURES	72,121	100,387	172,508	295,120	467,628
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,336)	14,507	12,171	16,448	28,619
FUND BALANCE BEGINNING OF YEAR	59,305	28,124	87,429	(30,231)	57,198
FUND BALANCE END OF YEAR	\$ 56,969	42,631	99,600	(13,783)	85,817

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODBINE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Student Insurance	\$ 0	188	188	0
Operetta	3,361	1,020	331	4,050
Band	284	0	266	18
Activity	1,006	66,831	52,391	15,446
K-6	2,817	7,083	5,260	4,640
Yearbook	5,798	7,054	4,798	8,054
Class of 2001	52	0	52	0
Class of 2002	957	0	393	564
Class of 2003	53	0	53	0
Class of 2004	2,489	106	2,401	194
Class of 2005	0	13,144	10,443	2,701
Class of 2000	2	0	2	0
Trips	0	2,500	2,500	0
Computer Club	4,499	1,810	1,552	4,757
Interest	3,859	972	3,987	844
Vending	2,947	13,986	15,770	1,163
Concession Stand	0	200	0	200
Total	<u>\$ 28,124</u>	<u>114,894</u>	<u>100,387</u>	<u>42,631</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 1,890,392	1,889,480	1,431,519	1,333,318
Tuition	190,571	185,386	174,720	139,210
Other	245,736	258,087	248,340	221,130
Intermediate sources	6,071	0	0	0
State sources	2,024,192	2,582,031	3,254,314	2,438,254
Federal sources	1,083,012	188,167	200,397	101,591
Total	\$ 5,439,974	5,103,151	5,309,290	4,233,503
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,903,327	1,905,323	1,710,629	1,563,210
Special instruction	506,712	537,022	486,099	504,285
Other instruction	390,626	397,707	457,500	463,243
Support services:				
Student services	149,263	96,437	123,652	117,038
Instructional staff services	8,510	28,496	69,361	79,581
Administration services	539,786	441,866	393,031	376,089
Operation and maintenance of plant services	421,652	283,698	375,992	363,256
Transportation services	225,637	167,232	213,268	192,089
Central support services	49,839	44,613	44,937	0
Other expenditures:				
Facilities acquisitions	1,636,879	2,026,376	231,280	0
Long-term debt:				
Principal	120,000	115,000	43,582	52,921
Interest and fiscal charges	175,120	180,585	74,400	23,498
AEA flow-through	153,457	164,520	167,601	178,715
Total	\$ 6,280,808	6,388,875	4,391,332	3,913,925

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODBINE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
RURAL EDUCATION ACHIEVEMENT PROGRAM	84.358	FY 04	\$ <u>24,986</u>
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 04	<u>12,729</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 04	7,447
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 04	<u>56,121</u>
			<u>63,568</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	7092-G	<u>72,169</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)			
	84.298A	FY 03	1,049
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)			
	84.298A	FY 04	<u>3,430</u>
			<u>4,479</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS			
	84.186	FY 04	<u>725</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM			
	84.367	FY 04	<u>28,024</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES			
	84.369	FY 03	2,460
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES			
	84.369	FY 04	<u>2,952</u>
			<u>5,412</u>
FUND FOR THE IMPROVEMENT OF EDUCATION			
	84.215	FY 04	<u>529,540</u>
SCHOOL RENOVATION, IDEA, AND TECHNOLOGY GRANTS PROGRAM			
	84.352	FY 04	<u>249,605</u>

WOODBINE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048A	FY 04	<u>5,787</u>
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 04	<u>18,953</u>
SPECIAL EDUCATION - GRANTS TO STATES (SUCCESS 4)	84.027	FY 04	<u>5,000</u>
TOTAL			<u>\$ 1,020,977</u>

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

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

We have audited the financial statements of Woodbine Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated August 11, 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 Woodbine Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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 item IV-K-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Woodbine 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 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 the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in

the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item II-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Woodbine Community School District and other parties to whom Woodbine 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 Woodbine Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

August 11, 2004

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance

To the Board of Education of
Woodbine Community School District

Compliance

We have audited the compliance of Woodbine Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Woodbine Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Woodbine Community School District's management. Our responsibility is to express an opinion on Woodbine Community School District's compliance based on our audit.

We conducted our audit of compliance 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 and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Woodbine Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Woodbine Community School District's compliance with those requirements.

In our opinion, Woodbine Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

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

federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item III-A-04 is a material weakness.

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


NOLTE, CORNMAN & JOHNSON, P.C.

August 11, 2004

WOODBINE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.215 - Fund for the Improvement of Education
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Woodbine Community School District did not qualify as a low-risk auditee.

WOODBINE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-04 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

WOODBINE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number 84.215 - Fund for the Improvement of Education
Federal Award Year: 2004
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-04 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

WOODBINE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2004

Part IV: Other Findings Related to Statutory Reporting

IV-A-04 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget - District disbursements for the year ended June 30, 2004 exceeded the amount budgeted in the other expenditure functional program area.

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.

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

IV-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-E-04 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mary Eby, Teacher Spouse owns Eby Drug	Supplies	\$142
Dave Moore, Bus Driver Owns Moore's Plumbing	Purchased Services	\$3,506

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

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

IV-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-H-04 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-I-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-K-04 Financial Condition - The District had a deficit undesignated fund balance of \$13,783 in the Debt Service Fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

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

Conclusion - Response accepted.