

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

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Woodward-Granger Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 election)		
Max Phillips	President	2005
Howard Schutt	Vice President	2004
Jan Kaiser	Board Member	2004
Lance Kooiker	Board Member	2005
Jane Sweeney	Board Member	2003
Board of Education (After September 2003 election)		
Max Phillips	President	2005
Lance Kooiker	Vice President	2005
Jan Kaiser	Board Member	2004
Howard Schutt	Board Member	2004
Jane Sweeney	Board Member	2006
School Officials		
Dr. Allen Green	Superintendent	2004
Debbie Barron	District Secretary/Treasurer and Business Manager	2004
Ahlers Law Firm	Attorney	2004

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(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Woodward-Granger 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 Woodward-Granger 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 Woodward-Granger 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.

In accordance with Government Auditing Standards, we have also issued our reports dated June 2, 2005 on our consideration of the Woodward-Granger 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 13 and 38 through 41 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 Woodward-Granger Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

June 2, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Woodward-Granger 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 \$6,105,950 in fiscal 2003 to \$6,172,903 in fiscal 2004, while General Fund expenditures increased from \$6,215,431 in fiscal 2003 to \$6,507,312 in fiscal 2004. This resulted in a decrease in the District's General Fund balance from \$286,363 in fiscal 2003 to a deficit balance of \$48,046 in fiscal 2004, a 116.78% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in property tax and 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.
- A decline in interest rates during the past fiscal year, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone to decrease from \$61,225 in fiscal year 2003 to \$19,908 in fiscal year 2004.

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 Woodward-Granger 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 Woodward-Granger 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 Woodward-Granger Community School District acts solely as an agent or custodial for the benefit of those outside of 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.

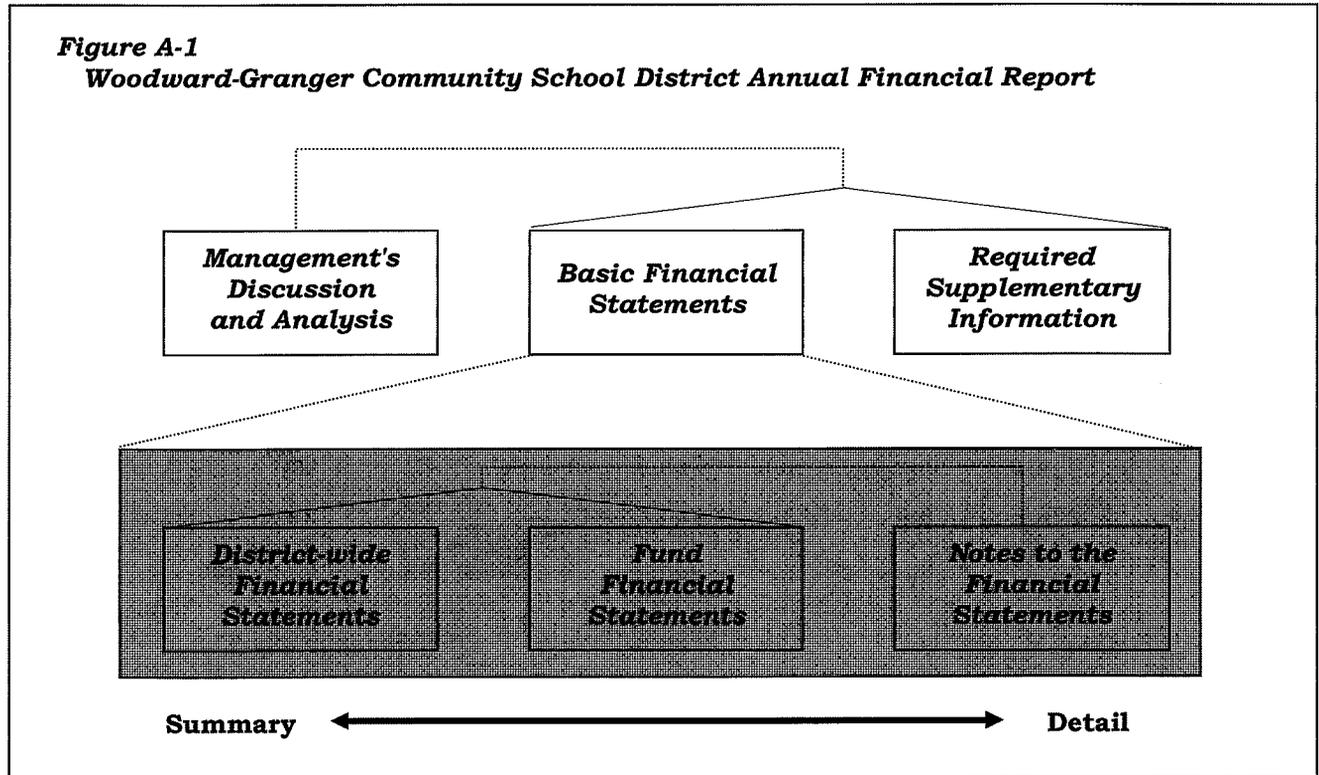


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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 three 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 one enterprise fund, the School Nutrition Fund.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Agency fund.

- Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The 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	\$ 4,807,810	7,402	4,815,212
Capital assets	3,378,756	12,070	3,390,826
Total assets	<u>8,186,566</u>	<u>19,472</u>	<u>8,206,038</u>
Long-term obligations	1,334,943	0	1,334,943
Other liabilities	4,346,717	46,093	4,392,810
Total liabilities	<u>5,681,660</u>	<u>46,093</u>	<u>5,727,753</u>
Net assets:			
Invested in capital assets, net of related debt	2,272,029	12,070	2,284,099
Restricted	270,303	0	270,303
Unrestricted	(37,426)	(38,691)	(76,117)
Total net assets	<u>\$ 2,504,906</u>	<u>(26,621)</u>	<u>2,478,285</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	\$ 1,666,803	164,236	1,831,039
Operating grants and contributions and restricted interest	770,879	59,239	830,118
Capital grants and contributions and restricted interest	50,000	0	50,000
General revenues:			
Property tax	2,550,158	0	2,550,158
Local option sales and services tax	153,341	0	153,341
Unrestricted state grants	2,035,647	0	2,035,647
Other	36,358	0	36,358
Total revenues	7,263,186	223,475	7,486,661
Program expenses:			
Governmental activities:			
Instructional	4,912,406	0	4,912,406
Support services	1,764,968	0	1,764,968
Non-instructional programs	0	198,093	198,093
Other expenses	393,901	0	393,901
Total expenses	7,071,275	198,093	7,269,368
Changes in net assets	\$ 191,911	25,382	217,293

Property tax, local option sales and services tax and unrestricted state grants account for 61% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 92% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,263,186 and expenses were \$7,071,275.

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	\$ 4,912,406	2,659,213
Support services	1,764,968	1,764,968
Other expenses	393,901	159,412
Totals	\$ 7,071,275	4,583,593

- The cost financed by users of the District's programs was \$1,666,803.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$820,879.

-
- The net cost of governmental activities was financed with \$2,550,158 in local tax, \$2,035,647 in state foundation aid, \$21,173 in interest income and \$15,185 in the net gain on the refunding bonds.

Business-Type Activities

Revenues of the District's business-type activities were \$223,475 and expenses were \$198,093. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Woodward-Granger 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 \$245,709, below last year's ending fund balances of a \$502,640. However, the primary reason for the decrease in combined fund balances in fiscal 2004 is due to the increase in General Fund in the negotiated salary and benefits and restricted grant expenditures.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position from \$286,363 to a deficit \$48,046 is the product of many factors:
 - Increases in federal grants and increase in tax levy during the year resulted in an increase in revenues.
 - The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.
 - The increase in expenditures was greater than the increase in revenues, resulting in a net decrease of \$334,409.
- The Debt Service Fund balance increased from \$9,256 in fiscal 2003 to \$11,845 in fiscal 2004. During the year, the District refinanced general obligation bonds saving the District \$53,279.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from a deficit \$52,003 at June 30, 2003 to a deficit \$26,621 at June 30, 2004, representing an increase of 48.8%. For fiscal 2004, the District increased meal prices, resulting in increased revenues.

BUDGETARY HIGHLIGHTS

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

The District’s revenues were \$416,556 less than budgeted revenues, a variance of 5.56%. The most significant variance resulted from the District receiving less in local 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 practices, the certified budget was exceeded in the instruction, non-instructional programs and other expenditures functional areas 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 \$3.4 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 \$146,944.

The original cost of the District’s capital assets was \$5.5 million. Governmental funds account for \$5.45 million with the remainder of \$0.05 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 \$3,256,188 at June 30, 2004, compared to \$3,184,538 reported at June 30, 2003. This increase resulted from the net of capital improvements and current year depreciation expense.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Land	\$ 14,204	0	14,204
Buildings	3,256,188	0	3,256,188
Machinery and equipment	108,364	12,070	120,434
Total	\$ 3,378,756	12,070	3,390,826

Long-Term Debt

At June 30, 2004, the District had \$1,334,943 in general obligation and other long-term debt outstanding. This represents a decrease of 11.8% 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 \$1,070,000 at June 30, 2004.

The District had total outstanding Capital Loan Note payable of \$55,000 at June 30, 2004.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$208,146 at June 30, 2004.

The District had total outstanding Compensated Absences from the General Fund of \$1,797 at June 30, 2004.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
General Obligation Bonds	\$ 1,070,000	1,230,000	-13.0%
Capital Loan Note	55,000	110,000	-50.0%
Early Retirement	208,146	168,740	23.4%
Compensated Absences	1,797	5,584	-67.8%
Totals	<u>\$ 1,334,943</u>	<u>1,514,324</u>	<u>-11.8%</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:

- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2005.
- 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 Debbie Barron, District Secretary/Treasurer, Woodward-Granger Community School District, 306 West 3rd Street, Woodward, Iowa, 50276.

BASIC FINANCIAL STATEMENTS

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments			
ISCAP (Note 5)	\$ 1,326,766	0	1,326,766
Other	616,382	5,737	622,119
Receivables:			
Property tax:			
Delinquent	29,646	0	29,646
Succeeding year	2,224,871	0	2,224,871
Income surtax	217,773	0	217,773
Interfund	41,854	0	41,854
Accounts	8,225	0	8,225
Accrued ISCAP interest (Note 5)	2,244	0	2,244
Due from other governments	330,049	0	330,049
Prepaid expenses	10,000	0	10,000
Inventories	0	1,665	1,665
Capital assets, net of accumulated depreciation (Note 6)	3,378,756	12,070	3,390,826
TOTAL ASSETS	8,186,566	19,472	8,206,038
LIABILITIES			
Interfund payable	0	41,854	41,854
Accounts payable	104,833	577	105,410
Salaries and benefits payable	603,942	0	603,942
ISCAP warrants payable (Note 5)	1,319,000	0	1,319,000
ISCAP accrued interest payable (Note 5)	3,688	0	3,688
ISCAP unamortized premiums	14,276	0	14,276
Interest payable	2,389	0	2,389
Deferred revenue:			
Succeeding year property tax	2,224,871	0	2,224,871
Other	73,718	3,662	77,380
Long-term liabilities (Note 7):			
Portion due within one year:			
General obligation bonds payable	210,000	0	210,000
Capital loan note payable	55,000	0	55,000
Early retirement payable	39,070	0	39,070
Compensated absences	1,797	0	1,797
Portion due after one year:			
General obligation bonds payable	860,000	0	860,000
Early retirement payable	169,076	0	169,076
TOTAL LIABILITIES	5,681,660	46,093	5,727,753
NET ASSETS			
Investment in capital assets, net of related debt	2,272,029	12,070	2,284,099
Restricted for:			
Early intervention	8,438	0	8,438
Capital projects	113,477	0	113,477
Physical plant and equipment levy	27,802	0	27,802
Other special revenue purposes	120,586	0	120,586
Unrestricted	(37,426)	(38,691)	(76,117)
TOTAL NET ASSETS	\$ 2,504,906	(26,621)	2,478,285

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER 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	\$ 2,536,975	417,863	539,981	0
Special instruction	1,959,013	998,970	46,409	0
Other instruction	416,418	249,970	0	0
	<u>4,912,406</u>	<u>1,666,803</u>	<u>586,390</u>	<u>0</u>
Support services:				
Student services	206,474	0	0	0
Instructional staff services	157,706	0	0	0
Administration services	699,599	0	0	0
Operation and maintenance of plant services	468,678	0	0	0
Transportation services	232,511	0	0	0
	<u>1,764,968</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other expenditures:				
Facilities acquisitions	13,569	0	0	50,000
Long-term debt interest	93,173	0	0	0
AEA flowthrough	184,489	0	184,489	0
Depreciation (unallocated)*	102,670	0	0	0
	<u>393,901</u>	<u>0</u>	<u>184,489</u>	<u>50,000</u>
Total governmental activities	7,071,275	1,666,803	770,879	50,000
Business-Type activities:				
Non-instructional programs:				
Nutrition services	198,093	164,236	59,239	0
Total business-type activities	<u>198,093</u>	<u>164,236</u>	<u>59,239</u>	<u>0</u>
Total	<u>\$ 7,269,368</u>	<u>1,831,039</u>	<u>830,118</u>	<u>50,000</u>

General Revenues:

Property tax levied for:
 General purposes
 Capital outlay
 Debt service
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Refunding bond proceeds, net of \$4,815 discount
Payments to refunding bond escrow agent

Total general revenues

Changes in net assets

Net assets beginning of year, as restated (Note 12)

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
(1,579,131)	0	(1,579,131)
(913,634)	0	(913,634)
(166,448)	0	(166,448)
<u>(2,659,213)</u>	<u>0</u>	<u>(2,659,213)</u>
(206,474)	0	(206,474)
(157,706)	0	(157,706)
(699,599)	0	(699,599)
(468,678)	0	(468,678)
(232,511)	0	(232,511)
<u>(1,764,968)</u>	<u>0</u>	<u>(1,764,968)</u>
36,431	0	36,431
(93,173)	0	(93,173)
0	0	0
(102,670)	0	(102,670)
<u>(159,412)</u>	<u>0</u>	<u>(159,412)</u>
(4,583,593)	0	(4,583,593)
0	25,382	25,382
0	25,382	25,382
<u>(4,583,593)</u>	<u>25,382</u>	<u>(4,558,211)</u>
\$ 2,203,698	0	2,203,698
111,143	0	111,143
235,317	0	235,317
153,341	0	153,341
2,035,647	0	2,035,647
21,173	0	21,173
1,065,185	0	1,065,185
<u>(1,050,000)</u>	<u>0</u>	<u>(1,050,000)</u>
4,775,504	0	4,775,504
191,911	25,382	217,293
2,312,995	(52,003)	2,260,992
<u>\$ 2,504,906</u>	<u>(26,621)</u>	<u>2,478,285</u>

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP(Note 5)	\$ 1,326,766	0	0	1,326,766
Other	367,294	0	303,059	670,353
Receivables:				
Property tax:				
Delinquent	23,596	3,091	2,959	29,646
Succeeding year	1,752,454	238,114	234,303	2,224,871
Income surtax	217,773	0	0	217,773
Interfund	41,854	62,725	50,000	154,579
Accounts	8,225	0	0	8,225
Accrued ISCAP interest (Note 5)	2,244	0	0	2,244
Due from other governments	291,934	0	38,115	330,049
Prepaid expenses	10,000	0	0	10,000
TOTAL ASSETS	\$ 4,042,140	303,930	628,436	4,974,506
LIABILITIES AND FUND BALANCES				
Liabilities:				
Excess of warrants issued over				
bank balance	\$ 0	53,971	0	53,971
Interfund payable	50,000	0	62,725	112,725
Accounts payable	81,290	0	23,543	104,833
Salaries and benefits payable	603,942	0	0	603,942
ISCAP warrants payable (Note 5)	1,319,000	0	0	1,319,000
ISCAP accrued interest payable (Note 5)	3,688	0	0	3,688
ISCAP unamortized premiums	14,276	0	0	14,276
Deferred revenue:				
Succeeding year property tax	1,752,454	238,114	234,303	2,224,871
Income surtax	217,773	0	0	217,773
Other	47,763	0	25,955	73,718
Total liabilities	4,090,186	292,085	346,526	4,728,797
Fund balances:				
Reserved for:				
Debt service	0	11,845	0	11,845
Early intervention	8,438	0	0	8,438
Unreserved:				
Undesignated:				
General	(56,484)	0	0	(56,484)
Management levy	0	0	11,228	11,228
Physical plant and equipment levy	0	0	27,802	27,802
Schoolhouse 67.5 levy	0	0	8,817	8,817
Capital projects	0	0	113,477	113,477
Other special revenue purposes	0	0	120,586	120,586
Total fund balances	(48,046)	11,845	281,910	245,709
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,042,140	303,930	628,436	4,974,506

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER 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 17)	\$	245,709
 <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.		3,378,756
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		217,773
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as liability in the governmental funds.		(2,389)
Long-term liabilities, including general obligation bonds payable, capital loan notes payable, early retirement payable and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(1,334,943)</u>
Net assets of governmental activites (page 14)	\$	<u>2,504,906</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,866,363	235,317	384,046	2,485,726
Tuition	1,416,833	0	0	1,416,833
Other	83,181	597	187,365	271,143
State sources	2,512,232	0	0	2,512,232
Federal sources	294,294	0	50,000	344,294
Total revenues	<u>6,172,903</u>	<u>235,914</u>	<u>621,411</u>	<u>7,030,228</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,537,706	0	0	2,537,706
Special instruction	1,930,535	0	0	1,930,535
Other instruction	231,539	0	184,879	416,418
	<u>4,699,780</u>	<u>0</u>	<u>184,879</u>	<u>4,884,659</u>
Support services:				
Student services	214,108	0	0	214,108
Instructional staff services	157,706	0	0	157,706
Administration services	630,138	0	45,050	675,188
Operation and maintenance of plant services	426,994	0	45,067	472,061
Transportation services	194,097	0	9,113	203,210
	<u>1,623,043</u>	<u>0</u>	<u>99,230</u>	<u>1,722,273</u>
Other expenditures:				
Facilities acquisitions	0	0	199,688	199,688
Long-term debt:				
Principal	0	235,000	0	235,000
Interest and fiscal charges	0	76,235	0	76,235
AEA flowthrough	184,489	0	0	184,489
	<u>184,489</u>	<u>311,235</u>	<u>199,688</u>	<u>695,412</u>
Total expenditures	<u>6,507,312</u>	<u>311,235</u>	<u>483,797</u>	<u>7,302,344</u>
Excess(deficiency) of revenues over(under) expenditures	(334,409)	(75,321)	137,614	(272,116)
Other financing sources(uses):				
Refunding bond proceeds, net of \$4,815 discount	0	1,065,185	0	1,065,185
Payments to refunding bond escrow agent	0	(1,050,000)	0	(1,050,000)
Transfers in	0	62,725	0	62,725
Transfers out	0	0	(62,725)	(62,725)
Total other financing sources(uses)	<u>0</u>	<u>77,910</u>	<u>(62,725)</u>	<u>15,185</u>
Net change in fund balances	(334,409)	2,589	74,889	(256,931)
Fund balance beginning of year	286,363	9,256	207,021	502,640
Fund balance end of year	<u>\$ (48,046)</u>	<u>11,845</u>	<u>281,910</u>	<u>245,709</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER 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 19)		\$ (256,931)
 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	\$ 193,204	
Depreciation expense	<u>(144,578)</u>	48,626
<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>		
		217,773
<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>		
		215,000
<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>		
		3,062
<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>		
Early Retirement	\$ (39,406)	
Compensated Absences	<u>3,787</u>	(35,619)
Changes in net assets of governmental activities (page 16)		<u>\$ 191,911</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2004

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 5,737
Inventories	1,665
Capital assets, net of accumulated depreciation(Note 6)	<u>12,070</u>
TOTAL ASSETS	<u>19,472</u>
LIABILITIES	
Interfund payable	41,854
Accounts payable	577
Deferred revenue: Other	<u>3,662</u>
TOTAL LIABILITIES	<u>46,093</u>
NET ASSETS	
Investment in capital assets, net of related debt	12,070
Unrestricted	<u>(38,691)</u>
TOTAL NET ASSETS	<u>\$ (26,621)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2004

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 164,236
TOTAL OPERATING REVENUES	164,236
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	69,529
Benefits	26,575
Supplies	99,626
Depreciation	2,363
TOTAL OPERATING EXPENSES	198,093
OPERATING LOSS	(33,857)
NON-OPERATING REVENUES:	
State sources	2,718
Federal sources	56,521
TOTAL NON-OPERATING REVENUES	59,239
Change in net assets	25,382
Net assets beginning of year, as restated(Note 12)	(52,003)
Net assets end of year	\$ (26,621)

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 162,383
Cash received from miscellaneous operating activities	1,017
Cash payments to employees for services	(99,133)
Cash payments to suppliers for goods or services	(84,186)
Net cash used in operating activities	(19,919)
Cash flows from non-capital financing activities:	
State grants received	2,718
Federal grants received	43,474
Net cash provided by non-capital financing activities	46,192
Net increase in cash and cash equivalents	26,273
Cash and cash equivalents at beginning of year	(20,536)
Cash and cash equivalents at end of year	\$ 5,737
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (33,857)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	13,047
Depreciation	2,363
Decrease in inventories	5,990
Increase in accounts payable	578
Decrease in salaries and benefits payable	(7,204)
Decrease in deferred revenue	(836)
Net cash used in operating activities	\$ (19,919)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 5,737

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2004, the District received Federal commodities valued at \$13,047.

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004

	<u>Agency</u>
ASSETS	
Cash and pooled investments	\$ 1,873
Accounts receivable	8,596
TOTAL ASSETS	<u>10,469</u>
LIABILITIES	
Accounts payable	70
Due to other groups	10,399
TOTAL LIABILITIES	<u>10,469</u>
NET ASSETS	<u>\$ 0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

(1) Summary of Significant Accounting Policies

The Woodward-Granger 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 Cities of Woodward and Granger, Iowa, and the predominate agricultural territory in Dallas, Polk, and Boone 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, Woodward-Granger 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 Woodward-Granger 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 Dallas, Polk, and Boone 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 Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

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

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

The Agency Fund is used to account for assets help by the District as an agent for individuals, private

organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 years

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund 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, expenditures in the instructional, non-instructional programs and 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 and the Treasurer of the State of Iowa; 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 investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$17,537

pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Number 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment trust is not subject to risk categorization.

(3) 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>
Debt Service	Schoolhouse 67.5	<u>\$ 62,725</u>

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

(4) Interfund Receivables and Payables

At June 30, 2004 the interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	General Fund	\$ 50,000
General Fund	Nutrition Fund	41,854
Debt Service	Schoolhouse 67.5	<u>62,725</u>
Total		<u>\$ 154,579</u>

(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:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Accrued Warrants Payable</u>	<u>Accrued Interest Payable</u>
2003-04B	1/28/04	1/30/05	\$ 447,024	2,244	444,000	3,688
2004-05A	6/28/04	6/30/05	879,742	0	875,000	0
Total			<u>\$ 1,326,766</u>	<u>2,244</u>	<u>1,319,000</u>	<u>3,688</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 Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2003-04A	\$ 0	250,000	250,000	0
2003-04B	0	150,000	150,000	0
Total	\$ 0	400,000	400,000	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 12)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 14,204	0	0	14,204
Total capital assets not being depreciated	14,204	0	0	14,204
Capital assets being depreciated:				
Buildings	4,973,629	171,370	0	5,144,999
Machinery and equipment	261,058	21,834	0	282,892
Total capital assets being depreciated	5,234,687	193,204	0	5,427,891
Less accumulated depreciation for:				
Buildings	1,789,091	99,720	0	1,888,811
Machinery and equipment	129,670	44,858	0	174,528
Total accumulated depreciation	1,918,761	144,578	0	2,063,339
Total capital assets being depreciated, net	3,315,926	48,626	0	3,364,552
Governmental activities capital assets, net	\$ 3,330,130	48,626	0	3,378,756

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 62,142	0	11,692	50,450
Less accumulated depreciation	47,709	2,363	11,692	38,380
Business-type activities capital assets, net	\$ 14,433	(2,363)	0	12,070

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular	\$ 11,190	
Special	1,417	
Support services:		
Transportation	29,304	
	41,911	
Unallocated depreciation	102,670	
Total governmental activities depreciation expense	\$ 144,581	
Business-type activities:		
Food services	\$ 2,363	
Total business-type activities depreciation expense	\$ 2,363	

(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	\$ 1,230,000	1,070,000	1,230,000	1,070,000	210,000
Capital Loan Note	110,000	0	55,000	55,000	55,000
Early Retirement	168,740	71,433	32,027	208,146	39,070
Compensated Absences	5,584	1,797	5,584	1,797	1,797
Total	\$ 1,514,324	1,143,230	1,322,611	1,334,943	305,867

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of May 1, 2004			
	Interest Rates	Principal	Interest	Total
2005	1.20-1.40 %	\$ 210,000	22,697	232,697
2006	1.60-1.80	215,000	17,925	232,925
2007	1.90-2.10	225,000	14,060	239,060
2008	2.30-2.50	225,000	9,278	234,278
2009	2.60-2.75	195,000	3,840	198,840
Total		\$ 1,070,000	67,800	1,137,800

Capital Loan Note Payable

Details of the Capital Loan Note indebtedness at June 30, 2004 as follows:

Year Ending June 30,	Interest Rates	Capital Loan Note		
		Principal	Interest	Total
2005	6.50 %	\$ 55,000	3,575	58,575

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 100% of a single plan health insurance coverage with the district's maximum expenditure not to exceed \$4,000. The coverage terminates upon the employee reaching age 65 or upon the death of the employee, whichever is first. Early retirement benefits paid during the year ended June 30, 2004, totaled \$32,027. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(8) Advance Refunding

On May 1, 2004, the District issued refunding bonds in the amount of \$1,070,000 to advance refund \$1,050,000 of outstanding general obligation bonds. The proceeds of the refunding issues have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified to be sufficient to pay all principal and all interest on the new advance refunding bonds added to the appropriate financial statements and schedules. The District remains contingently liable in the remote possibility the account is unable to pay the refunded bonds. At June 30, 2004, \$1,050,000 of such bonds are outstanding. Repayment of principal and interest for the year was \$0 and \$0. The net present value savings to the District was \$53,279.

(9) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30,

2004, 2003 and 2002 were \$201,057, \$195,415 and \$199,747 respectively, equal to the required contributions for each year.

(10) Risk Management

Woodward-Granger 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 \$622,306.

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.

Woodward-Granger 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.

(11) 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 \$184,489 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.

(12) 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 government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements 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 \$6,896,622 were restated to \$5,248,891. The restatement primarily removed assets below the District's capitalization threshold.

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

	Fund			Total
	General	Debt Service	Other Nonmajor Governmental Funds	
Net assets, June 30, 2003, as previously reported	\$ 286,363	9,256	207,021	502,640
GASB Interpretation 6 adjustments	0	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	<u>\$ 286,363</u>	<u>9,256</u>	<u>207,021</u>	<u>502,640</u>
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of \$1,918,761				3,330,130
Long-term liabilities:				
General obligation bonds payable		\$	1,230,000	
Capital loan note payable			110,000	
Early retirement payable			168,740	
Compensated absences payable			5,584	(1,514,324)
Accrued interest payable				<u>(5,451)</u>
Net assets, July 1, 2003, as restated				<u>\$ 2,312,995</u>

	Fund
	School Nutrition
Net assets, June 30, 2003, as previously reported	\$ (67,317)
Capital Contributions	<u>15,314</u>
Net assets, July 1, 2003, as restated for proprietary funds	<u>\$ (52,003)</u>

(13) Deficit Fund Balance/Net Assets

The General Fund had a deficit undesignated fund balance of \$54,484 at June 30, 2004. The Enterprise - School Nutrition Fund had deficit net assets of \$26,621 at June 30, 2004.

(14) 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 instruction, non-instructional programs and other expenditures functional program areas exceeded the amount budgeted.

REQUIRED SUPPLEMENTAL INFORMATION

WOODWARD-GRANGER 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 Type Actual
Receipts:		
Local sources	\$ 4,031,337	163,400
State sources	2,562,228	2,718
Federal sources	257,596	56,521
Total receipts	<u>6,851,161</u>	<u>222,639</u>
Disbursements:		
Instruction	4,754,825	0
Support services	1,691,273	0
Non-instructional programs	0	238,220
Other expenditures	688,574	0
Total disbursements	<u>7,134,672</u>	<u>238,220</u>
Excess(deficiency) of receipts over(under) disbursements	(283,511)	(15,581)
Other financing sources, net	<u>15,185</u>	<u>0</u>
Excess(deficiency) of receipts and other financing sources over(under) disbursements	(268,326)	(15,581)
Balance beginning of year	<u>926,562</u>	<u>(20,536)</u>
Balance end of year	<u>\$ 658,236</u>	<u>(36,117)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
4,194,737	4,440,314	4,440,314	(245,577)
2,564,946	2,711,298	2,711,298	(146,352)
314,117	338,744	338,744	(24,627)
<u>7,073,800</u>	<u>7,490,356</u>	<u>7,490,356</u>	<u>(416,556)</u>
4,754,825	4,481,274	4,481,274	(273,551)
1,691,273	1,908,035	1,908,035	216,762
238,220	210,000	210,000	(28,220)
688,574	606,235	606,235	(82,339)
<u>7,372,892</u>	<u>7,205,544</u>	<u>7,205,544</u>	<u>(167,348)</u>
(299,092)	284,812	284,812	(249,208)
15,185	62,425	62,425	(47,240)
(283,907)	347,237	347,237	19,020
906,026	504,953	504,953	401,073
<u>622,119</u>	<u>852,190</u>	<u>852,190</u>	<u>(230,071)</u>

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

	Governmental Fund Types		
	Cash Basis	Accrual	
		Adjust- ments	Accrual Basis
Revenues	\$ 6,851,161	179,067	7,030,228
Expenditures	7,134,672	167,672	7,302,344
Net	(283,511)	11,395	(272,116)
Other financing sources, net	15,185	0	15,185
Beginning fund balances	926,562	(423,922)	502,640
Ending fund balances	\$ 658,236	(412,527)	245,709

	Proprietary Fund Type		
	Cash Basis	Enterprise	
		Adjust- ments	Accrual Basis
Revenues	\$ 222,639	836	223,475
Expenses	238,220	(40,127)	198,093
Net	(15,581)	40,963	25,382
Beginning net assets	(20,536)	(31,467)	(52,003)
Ending net assets	\$ (36,117)	9,496	(26,621)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER 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, expenditures in the instruction, non-instructional programs and other expenditures functional program area exceeded the amounts budgeted.

OTHER SUPPLEMENTAL INFORMATION

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Special Revenue Funds							
	Manage- ment	Student Activity	School- house 67.5	Physical		Expend- able- Trust	Total	
				Plant and Equipment Levy			Special Revenue Funds	Capital Projects
ASSETS								
Cash and pooled investments	\$ 10,310	71,844	70,749	28,719	48,742	230,364	72,695	303,059
Receivables:								
Property tax:								
Current year delinquent	1,523	0	793	643	0	2,959	0	2,959
Succeeding year	132,000	0	58,575	43,728	0	234,303	0	234,303
Interfund	0	0	0	0	0	0	50,000	50,000
Due from other governments	0	0	0	0	0	0	38,115	38,115
TOTAL ASSETS	\$ 143,833	71,844	130,117	73,090	48,742	467,626	160,810	628,436
LIABILITIES AND FUND EQUITY								
Liabilities:								
Interfund payable	\$ 0	0	62,725	0	0	62,725	0	62,725
Accounts payable	0	0	0	1,560	0	1,560	21,983	23,543
Deferred revenue:								
Succeeding year property tax	132,000	0	58,575	43,728	0	234,303	0	234,303
Other	605	0	0	0	0	605	25,350	25,955
	<u>132,605</u>	<u>0</u>	<u>121,300</u>	<u>45,288</u>	<u>0</u>	<u>299,193</u>	<u>47,333</u>	<u>346,526</u>
Fund equity:								
Fund balances:								
Unreserved:								
Undesignated	11,228	71,844	8,817	27,802	48,742	168,433	113,477	281,910
Total fund balances	<u>11,228</u>	<u>71,844</u>	<u>8,817</u>	<u>27,802</u>	<u>48,742</u>	<u>168,433</u>	<u>113,477</u>	<u>281,910</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ 143,833	71,844	130,117	73,090	48,742	467,626	160,810	628,436

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

	Special Revenue Funds						Capital Projects	Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	School- house 67.5	Physical Plant and Equipment Levy	Expend- able Trust	Total Special Revenue Funds		
REVENUES:								
Local sources:								
Local tax	\$ 119,562	0	62,197	48,946	0	230,705	153,341	384,046
Other	0	186,829	50	0	486	187,365	0	187,365
Federal sources	0	0	0	0	0	0	50,000	50,000
TOTAL REVENUES	119,562	186,829	62,247	48,946	486	418,070	203,341	621,411
EXPENDITURES:								
Current:								
Instruction:								
Other instruction	0	181,129	0	0	3,750	184,879	0	184,879
Support services:								
Administration services	45,050	0	0	0	0	45,050	0	45,050
Operation and maintenance of plant services	45,067	0	0	0	0	45,067	0	45,067
Student transportation	9,113	0	0	0	0	9,113	0	9,113
Other expenditures:								
Facilities acquisitions	0	0	0	57,444	0	57,444	142,244	199,688
TOTAL EXPENDITURES	99,230	181,129	0	57,444	3,750	341,553	142,244	483,797
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	20,332	5,700	62,247	(8,498)	(3,264)	76,517	61,097	137,614
OTHER FINANCING USES:								
Transfer out	0	0	(62,725)	0	0	(62,725)	0	(62,725)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	20,332	5,700	(478)	(8,498)	(3,264)	13,792	61,097	74,889
FUND BALANCE BEGINNING OF YEAR	(9,104)	66,144	9,295	36,300	52,006	154,641	52,380	207,021
FUND BALANCE END OF YEAR	\$ 11,228	71,844	8,817	27,802	48,742	168,433	113,477	281,910

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER 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
Athletic Accounts:				
HS Athletics	\$ (895)	11,974	9,200	1,879
HS Concessions	2,533	10,896	13,288	141
JH Football	(886)	886	300	(300)
JH Volleyball	(200)	200	350	(350)
JH Boys Basketball	(581)	581	450	(450)
JH Girls' Basketball	(500)	500	525	(525)
JH Wrestling	(100)	100	100	(100)
JH Boys' Track	(168)	167	152	(153)
JH Girls' Track	(168)	167	152	(153)
JH Concessions	97	0	0	97
HS Girls' Volleyball	800	2,161	1,391	1,570
HS Girls' Basketball	1,809	1,889	1,290	2,408
HS Girls' Track	(689)	799	580	(470)
HS Girls' Softball	439	4,438	3,365	1,512
HS Track-Cross Country	(601)	601	535	(535)
HS Football	3,926	3,567	3,433	4,060
HS Boys' Basketball	2,315	2,162	1,530	2,947
HS Wrestling	265	2,073	1,947	391
HS Boys' Track	(589)	589	615	(615)
HS Golf	(347)	947	160	440
HS Baseball	(650)	3,107	2,193	264
Weightlifting	(32)	32	29	(29)
	<u>5,778</u>	<u>47,836</u>	<u>41,585</u>	<u>12,029</u>
Athletic Fundraiser:				
JH Boys Basketball	129	0	0	129
JH Football	253	0	0	253
JH Girls' Basketball	250	1,826	1,636	440
JH Volleyball	182	350	323	209
Baseball	3,931	974	2,210	2,695
Girls' and Boys' Golf	29	0	0	29
HS Boys Track	46	2,809	2,632	223
HS Boys' Basketball	337	5,613	5,472	478
HS Cross Country	42	220	260	2
HS Football	801	6,460	6,278	983
HS Girls Track	0	225	0	225
HS Girls' Basketball	1,145	832	785	1,192
HS Girls' Softball	100	0	0	100
HS Girls' Volleyball	3,010	3,054	2,213	3,851
Weightlifting	256	0	200	56
Wrestling HS	756	2,558	2,744	570
	<u>11,267</u>	<u>24,921</u>	<u>24,753</u>	<u>11,435</u>

WOODWARD-GRANGER 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
Activities Accounts:				
Petty Cash	75	0	0	75
Change	(400)	0	0	(400)
Yearbook	(1,565)	1,565	0	0
2003-04 Yearbook	0	6,358	972	5,386
2001-02 Yearbook	346	(346)	0	0
2002-03 Yearbook	7,530	383	7,120	793
HS Cheerleaders	2,142	3,345	5,248	239
Grounds Beautification	341	0	0	341
Class of 2006	10	5,687	3,353	2,344
Class of 2004	7,309	(1,145)	5,585	579
Class of 2005	4,783	14,155	15,706	3,232
Class of 2007	(2)	216	83	131
Concession Stand	2,829	40	1,425	1,444
Drama	1,081	1,357	563	1,875
Drama Club	256	0	0	256
Book Orders	0	4,500	4,500	0
Field Trips	0	4,765	4,765	0
Clearing	0	8,123	8,123	0
Art Fundraiser	1,251	4,635	4,935	951
Band and Chorus	3,450	12,251	13,487	2,214
Elementary Fundraiser	1,539	1,669	1,722	1,486
Flag Team Fundraiser	459	0	144	315
Business Horizon Fundraiser	(326)	326	0	0
Interest	268	(136)	0	132
MS Student Council	4,526	2,184	1,887	4,823
MS Cheerleaders	192	111	107	196
Grandwood Fundraiser	1,288	2,401	3,069	620
TAG Fundraiser	210	0	0	210
Miscellaneous	(87)	706	214	405
Emergency Fund	512	0	0	512
HS Student Council	5,031	1,364	2,837	3,558
W-G Planners	180	35	0	215
Spanish Club	3,786	3,996	4,722	3,060
Jazz Festival	925	5,106	4,406	1,625
Marketing Fundraiser	306	4,398	4,013	691
HS Dance Team	16	1,169	1,169	16
HS Fundraiser	653	753	641	765
MS Fundraiser	185	1,807	530	1,462
History Club	0	1,707	1,306	401
Washington DC Trip	0	17,488	11,217	6,271
Industrial Arts	0	2,735	578	2,157
Zach Ridler Fundraiser	0	364	364	0
	49,099	114,072	114,791	48,380
Total	\$ 66,144	186,829	181,129	71,844

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2004

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>Local Option Sales and Service Tax</u>				
ASSETS				
Accounts receivable	\$ 0	8,596	0	8,596
	0	8,596	0	8,596
LIABILITIES				
Due to other groups	\$ 0	8,596	0	8,596
	0	8,596	0	8,596
<u>Teacher Pop</u>				
Cash and pooled investments	\$ 3,437	1,021	2,585	1,873
	3,437	1,021	2,585	1,873
LIABILITIES				
Accounts payable	\$ 0	70	0	70
Due to other groups	3,437	951	2,585	1,803
	3,437	1,021	2,585	1,873
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and pooled investments	\$ 3,437	1,021	2,585	1,873
Accounts receivable	0	8,596	0	8,596
	\$ 3,437	9,617	2,585	10,469
LIABILITIES				
Accounts payable	\$ 0	70	0	70
Due to other groups	3,437	9,547	2,585	10,399
	\$ 3,437	9,617	2,585	10,469

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER 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	\$ 2,485,726	2,185,352	1,884,332	1,911,211
Tuition	1,416,833	1,389,836	1,292,354	1,210,339
Other	271,143	297,421	365,365	294,099
State sources	2,512,232	2,633,980	2,668,856	2,596,378
Federal sources	344,294	284,470	201,329	111,946
Total	<u>\$ 7,030,228</u>	<u>6,791,059</u>	<u>6,412,236</u>	<u>6,123,973</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,537,706	2,357,986	2,500,950	2,400,876
Special instruction	1,930,535	1,806,257	1,675,244	1,376,826
Other instruction	416,418	428,947	414,246	364,136
Support services:				
Student services	214,108	229,148	185,611	171,221
Instructional staff services	157,706	230,269	225,250	193,318
Administration services	675,188	694,672	685,349	593,605
Operation and maintenance of plant services	472,061	373,353	361,264	449,664
Transportation services	203,210	185,966	333,294	307,805
Non-instructional programs	0	70	10,570	21,268
Other expenditures:				
Facilities acquisitions	199,688	94,283	72,967	222,801
Long-term debt:				
Principal	235,000	234,531	222,990	212,975
Interest and other charges	76,235	75,566	86,332	96,297
AEA flow-through	184,489	198,188	194,812	197,105
Total	<u>\$ 7,302,344</u>	<u>6,909,236</u>	<u>6,968,879</u>	<u>6,607,897</u>

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
Woodward-Granger Community School District:

We have audited the financial statements of Woodward-Granger Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated June 2, 2005. 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 Woodward-Granger 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.

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 II-K-04.

Internal Control Over Financial Reporting

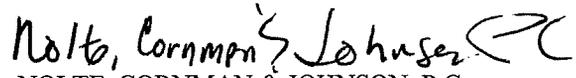
In planning and performing our audit, we considered Woodward-Granger Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control 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.

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 I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item I-A-04 through I-D-04.

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


NOLTE, CORNMAN & JOHNSON, P.C.

June 2, 2005

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-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 the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

I-B-04 Gate Admissions - The gate admissions were not reconciled to pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued.

Response - We will review our procedures for collecting gate admissions.

Conclusion - Response accepted.

I-C-04 Supporting Documents for Payments to Officials - Payments made to officials from the Student Activity fund do not have supporting documentation.

Recommendation - The copy of the contract made for each official should be used as the support for payment.

Response - We will review our procedures for the payment of officials and include the copy of the contract as support for payment.

Conclusion - Response accepted.

I-D-04 Student Activity Fund - We noted during our audit that the Student Activity fund included interest, change, petty cash and miscellaneous account.

Recommendation - The interest earned each year should be allocated at least on an annual basis to the individual activity accounts. The miscellaneous account should be closed and moved to a legitimate student run organization or moved to the General fund. The change and petty cash accounts should be closed and have the money taken out of the student activity account in which the funds are being used.

Response - We will correct the problem.

Conclusion - Response accepted.

- I-E-04 Authorized Check Signatures - Checks written from the all funds should have two signatures, the board secretary and board president. Also, one check written from the Student Activity account only had one signature.

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

Response - We will comply.

Conclusion - Response accepted.

- I-F-04 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Old outstanding checks should be reviewed and reissued, voided if subsequently paid, and any remaining should be reported to the Iowa Treasury Department for the "Great Iowa Treasure Hunt."

Response - We will follow the recommendation.

Conclusion - Response accepted.

- I-G-04 Checks Sequence - We noted during our audit that the District did not write checks in numerical sequence.

Recommendation - All checks written by the District, including manual checks, should be in numeric sequential order. The sequence should be monitored for breaks and/or missing sequences.

Response - We will monitor and check the sequence.

Conclusion - Response accepted.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Statutory Reporting

II-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.

II-B-04 Certified Budget - District disbursements for the year ended June 30, 2004 exceeded the amount budgeted in the instruction, non-instructional programs and other expenditures functional program areas.

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.

II-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. However, we noted during our audit that the District overpaid certified staff \$6,475.13 in salary and benefits. The overpayment did not appear to be authorized by the District. Details of the amount are shown by employee as follows:

BEVERIDGE, KARA	\$	69.79	JOHNSON, GAIL	65.29
BIRKLAND, ELLEN		65.32	KNOLMAYER, G	93.08
ANDERSON, AARON		65.29	LEVENHAGEN, M	86.58
BEVERIDGE, KEVIN		67.55	MCKINLEY, SCOTT	87.44
BUCHAN, JILL		63.03	MESSER, S	63.05
BURGUS, LARRY		85.45	MORPHEW, A	63.06
CAMPBELL, LYNNE		90.12	NELSON, LORI	137.09
CARLSON, LINDA		115.25	O'NEIL, RENA J.	105.08
CHAPMAN, SCOTT		67.50	PEEL, BRENNNA	81.05
COKER, LISA		87.78	POLICH, K	85.52
CONNOLLY, ROSE		112.71	ROBINSON, R	63.03
DANILSON, KRISTI		65.34	SCHMIDT, CATHY	78.80
DANILSON, MIKE		133.94	SEACRY, SCOTT	2.05
DANILSON, JAN		101.30	SMITH, DEANNA	67.57
DANILSON, TERRI		103.63	SMYSER, ELLEN	114.03
DEHANN, K		158.66	SPELLMAN, JULIE	86.57
ELLIOTT, DAVID		98.79	TALLMAN, JILL	69.92
ERICKSON, DIANE		87.85	THIELE, KEVIN	86.29
FAVOR, NEVA		20.87	TRAINUM, JILL	86.09
FEILMEIER, MARK		67.62	WEDDELL-SCHUTT	99.28
FENSTER, DENNIS		39.53	BREUNING, JESSICA	64.57
FROST-BEOKELMAN, C		41.67	HENRY, ANNA	259.64
HALFERTY, DALE		85.58	STAEBELL CYNTHIA	279.33
HANSON, M		158.68	CONNOLLY, TIMOTHY	493.46
HASSATT, CHANDA		70.41	FIELD, BARBARA	303.48
HEATON, D		78.81	ARENDS, JEANNE	535.17
HEGGEN, T		86.53	FERNEAU, SANDRA	499.04
HOLTON, HEATHER		65.27		
HURN, JODI		65.30		
				\$ 6,475.13

Recommendation - The District should collect the above monies back from the teachers for the unauthorized overpayment. In addition, the District should review procedures in place for identifying and correcting payroll mistakes.

Response - We do not intend to request repayment from the individuals. We do not believe this is a procedural problem, therefore we don't expect this type of overpayment to occur again.

Conclusion - Response acknowledged. The District should consult legal counsel with regard to unauthorized salary payments. We believe the District should seek repayment of the excess of authorized contracts.

II-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.

II-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
Mike Blaser, Bus Driver Owner of Blaser Electric	Electrical work	\$6,654
Bernard Bunk, Bus Driver Owner of Bernard's	Repairs	\$38,607

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

II-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.

II-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will provide the minutes within the time period required, however, we are unable to control the publishing dates.

Conclusion - Response accepted.

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

II-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.

II-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.

II-K-04 Financial Condition - The District had deficit net assets of \$26,621 in the Enterprise-School Nutrition Fund. The District had a deficit undesignated fund balance of \$54,484 in the General Fund. The District also had several deficit account balances in the Special Revenue, Student Activity Fund.

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

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

Conclusion - Response accepted.

II-L-04 Publication of Payroll - We noted during our audit that the District did not publish the salaries of employees as required by Chapter 279.35 of the Code of Iowa.

Recommendation - The District should review Chapter 279.35 of the Code of Iowa and publish the salaries annually in compliance with the code section.

Response - We will comply with the recommendation.

Conclusion - Response accepted.