SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

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SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Officials

Name	Title	Term Expires
Board of Education		
(Before September 2004 Election)		
Chuck Struchen	President	2006
Carolyn Stille	Vice President	2005
Rich Malcom	Board Member	2004
Brian Hoeppner	Board Member	2004
Gary Ronfeldt	Board Member	2006
(After September 2004 Election)		
Chuck Struchen	President	2006
Carolyn Stille	Vice President	2005
Brian Hoeppner	Board Member	2007
Gary Ronfeldt	Board Member	2006
Rick Willer	Board Member	2007

School Officials

Dave Kwikkel	Superintendent
Julie McClintic	District Secretary/Treasurer

Independent Auditor's Report

To the Board of Education of
Schaller-Crestland Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Schaller-Crestland Community School District, Schaller, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Schaller-Crestland Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated September 9, 2005, on our consideration of Schaller-Crestland Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Schaller-Crestland Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

September 9, 2005

Schaller-Crestland Community School District

Management Discussion & Analysis

This section of the Schaller-Crestland Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2005. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- The Schaller-Crestland CSD Board of Directors approved a Property Tax increase from $12.12249 to $14.49201 per $1,000 taxable valuation, creating a tax rate increase of $2.24301 per $1000 taxable valuation. The change in rate was reciprocal to the decrease in valuations from approximately 136,000,000 down to 100,000,000 due to the rollback year in property values.
- The previous year the district had experienced the across the board 2.5% cut by the governor. Because of the year previous, the district already had budget saving measures in place and spent only 98% of the total revenues in the presented budget.
- The Local Option Sales Tax was beneficial to the district in that it generated about $216,000 for capital improvement projects.

Overview of the Financial Statements

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

The first two statements are *Government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.

- The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

- *Proprietary funds statements* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

- *Fiduciary funds statements* provide information about the relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

Figure A-1

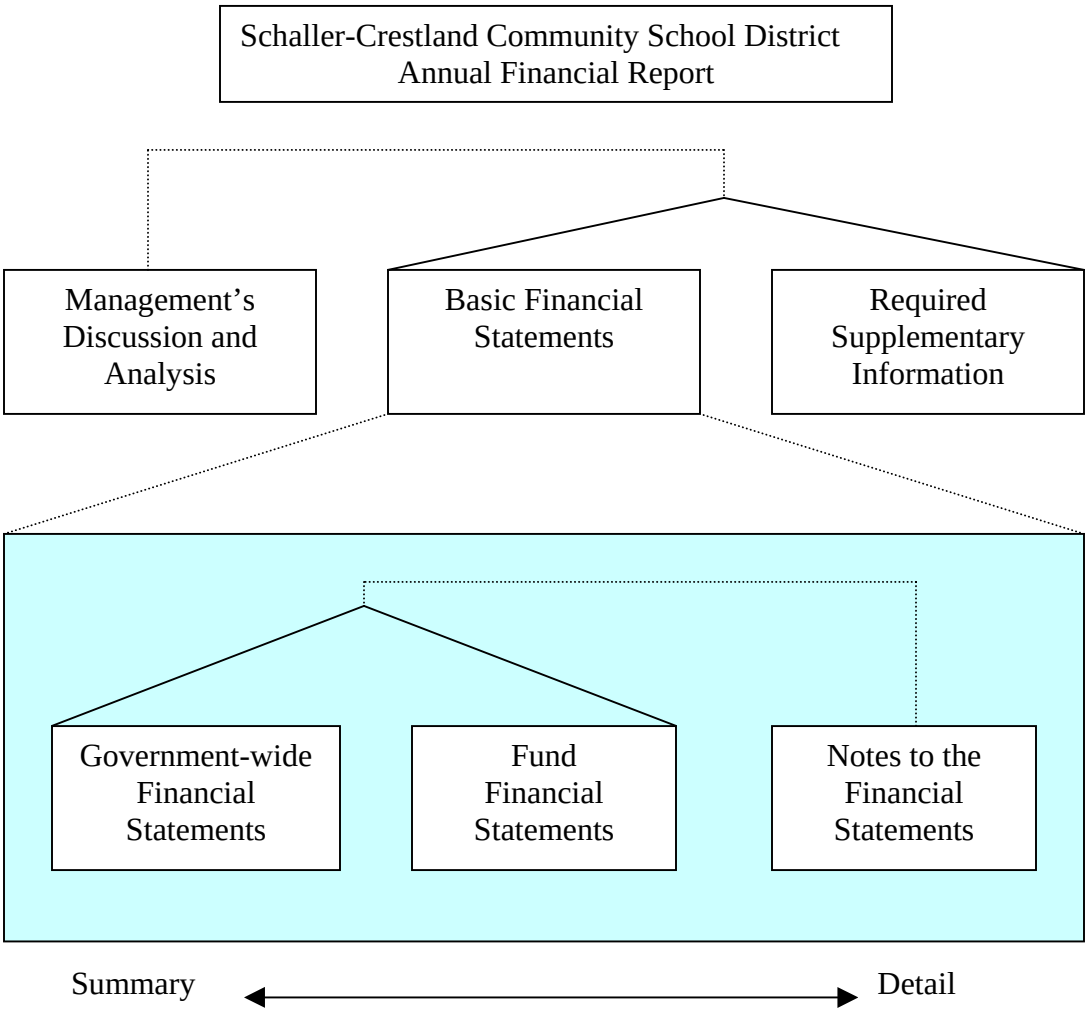

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents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

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

	Government-wide Statements	Fund Financial Statements		
		Governmental 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 business: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	• Statement of net assets •Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balance	• Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flow	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow / outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Statements

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

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

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

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

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

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

- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's food service program would be included here.

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

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

include the General Fund and Special Revenue Funds that consist of Activity, Management, and Physical Plant and Equipment Levy funds.

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

- *Fiduciary Funds*: The District is the trustee or fiduciary for assets that belong to others. The District uses an Agency Fund to account for these transactions. The District is responsible for ensuring that these assets are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Government-wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets ended June 30, 2005, 2004 and 2003.

Net assets. The District's combined net assets were slightly smaller on June 30, 2005, than they were the year before, increasing by $192,916 or 5.89%. The year previous we saw a $73,603 decrease.

Figure A-3	Condensed Statement of Net Assets									
	Governmental Activities			**Business Type Activities**			**Total School District**			
	2003	**2004**	**2005**	**2003**	**2004**	**2005**	**2003**	**2004**	**2005**	**Total % Change 2004-2005**
Current and other assets	$2,212,970	$2,600,089	$3,124,763	$61,470	$64,015	$52,075	$2,274,440	$2,664,104	$3,176,838	**19.25%**
Capital assets	2,752,740	2,715,428	2,753,070	37,892	34,541	34,005	2,790,632	2,749,969	2,787,075	**1.35%**
Total Assets	**$4,965,710**	**5,315,517**	**5,877,833**	**99,362**	**98,556**	**86,080**	**5,065,072**	**5,414,073**	**$5,963,913**	**10.16%**
Long-term liabilities	14,683	0	15,663	0	0	0	14,683	0	15,663	
Other liabilities	1,702,525	2,140,174	2,480,477	1,658	1,296	2,254	1,704,183	2,141,470	2,482,731	**15.94%**
Total liabilities	**1,717,208**	**2,140,174,**	**2,496,140**	**1,658**	**1,296**	**2,254**	**1,718,866**	**2,141,470**	**2,498,394**	**16.67%**
Net Assets:										
Invested in capital assets, net of related debt	2,752,740	2,715,428	2,753,070	37,892	34,541	34,005	2,790,632	2,749,969	2,787,075	**1.35%**
Restricted	64,790	63,500	157,840	0	0	0	64,790	63,500	157,840	**148.57%**
Unrestricted	430,972	396,415	470,783	59,812	62,719	49,821	490,784	459,134	520,604	**13.39%**
TOTAL NET ASSETS	**$3,248,502**	**$3,175,343**	**3,381,693**	**$97,704**	**$97,260**	**$83,826**	**$3,346,206**	**$3,272,603**	**$3,465,519**	**5.89%**

The District issues anticipatory warrants through the Iowa Schools Cash Anticipation Program, to ease cash flow problems that may occur periodically throughout the year. The District's participation in the program was higher at June 30, 2005 that it was at June 30, 2004. This had the affect of increasing the District's current assets and other liabilities.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately $94,340 or 149% over the prior year. The increase was primarily a result of sales tax revenues collected, but not spent during the year. These monies will be used for future capital projects.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by approximately $61,470, or 13%.

Figure A-4 show the change in net assets for the years ended June 30, 2005 and 2004.

Changes in Net Assets						
Figure A-4	**Governmental Activities**		**Business-type Activities**		**Total School District**	
	2004	**2005**	**2004**	**2005**	**2004**	**2005**
Revenues						
Program Revenues						
Charges for services	$265,456	$226,703	$81,519	$80,859	$346,975	$307,562
Operating Grants & Contributions	468,009	483,383	79,594	79,643	547,603	563,026
Capital Grants & Contributions	22,120	13,762	0	0	22,120	13,762
General Revenues						
Property taxes & other taxes	1,807,053	1,924,927	0	0	1,807,053	1,924,927
Unrestricted State Grants	1,375,061	1,549,924	0	0	1,375,061	1,549,924
Unrestricted Investment Earnings	6,724	14,896	730	482	7,454	15,378
Other Revenue	2,254	3,699	0	0	2,254	3,699
Total Revenues	**$3,946,677**	**$4,217,294**	**$161,843**	**$160,984**	**$4,108,520**	**$4,378,278**
Expenses						
Instruction	2,528,319	2,516,007	0	0	2,528,319	2,516,007
Support Services	1,148,234	1,158,806	0	0	1,148,234	1,158,806
Non-Instructional Programs	0	0	162,287	174,418	162,287	174,418
Other Expenses	343,283	336,131	0	0	343,283	336,131
Total Expenses	**$4,019,836**	**$4,010,944**	**$162,287**	**$174,418**	**$4,182,123**	**$4,185,362**
Transfers	0	0	0	0	0	0
Change in Net Assets	**($73,159)**	**$206,350**	**($444)**	**($13,434)**	**($73,603)**	**$192,916**

Total District revenues increased approximately $270,000 between 2004 and 2005 while total expenses remained steady. This created a $193,000 increase in net assets. Total property tax revenues decreased approximately $90,000 while state foundation aid increased about $175,000 and sales tax revenues increased approximately $156,000.

Governmental Activities -
Referring to *Figure A-4*, revenues for the District's governmental activities were $4,217,294 for fiscal year 2005. Total governmental expenditures were $4,010,944. This is a difference of $206,350.

In a semi-difficult budget year, the District had to trim expenses to match available revenues in a year when the Board of Directors had to increase the overall District tax rate from $12.12249 per thousand dollars of taxable valuation to $14.49201. This tax increase again was reciprocal to higher valuations of the past to the valuation rollback of the current year.

Net Cost of Governmental Activities				
Figure A-5				
	Total Cost of Services 2004	**Total Cost of Services 2005**	**Net Cost Of Services 2004**	**Net Cost Of Services 2005**
Instruction	$2,528,319	$2,516,007	($1,946,106)	($1,969,301)
Support Services	1,148,234	1,158,806	(1,141,339)	(1,136,368)
Non-Instructional Programs	0	0	0	0
Other Expenses	343,283	336,131	(176,806)	(181,427)
TOTAL	**$4,019,836**	**$4,010,944**	**($3,264,251)**	**($3,287,096)**

Figure A-5 presents the cost of the District's major governmental activities: instruction, support services, non-instruction programs and other expenses. The table shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

- The cost of all governmental activities this year was $4,010,944.
- Some of the cost was financed by the users of the District's programs $226,703.
- The federal and state governments and private contributors subsidized certain programs with grants and contributions ($497,145).
- Most of the District's costs ($3,287,096), however, were financed by District and state taxpayers.
- This portion of governmental activities was financed with $1,924,927 in property and other local taxes, and $1,549,924 in unrestricted state aid (based in large part on the statewide education aid formula), investment earnings and miscellaneous revenues.

Business-Type Activities -

The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income. The District's business-type activities show a decrease in net assets with expenses exceeding revenues of $444 in 04, $12,990 in 05 for a two year total of decreased revenue of $13,343 (refer to *Figure A-4*). Total revenues remained steady during the year, but there were increased costs for salaries, employee benefits and food. The Board of Education did not increase school meal prices for fiscal year 2005, but has increased meal prices for fiscal year 2006.

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of $500,227.

Governmental Fund Highlights

The General Fund balance decreased from $482,754 in 03 to $404,987 in 04 to $378,251 in 05, due in part to the reduction in student enrollment, negotiated salary and benefit settlement. There was an increase in staffing in 2004-2005 from the previous year. The Board chose to use carryover fund balance to maintain obligations and student programming. Expenditures over revenues were held close to the previous year.

The Non-major Governmental (Management, Student Activity and Capital Projects) Funds balance decreased $67,835 in 03 to $34,328 in 04 an increased to $149,488 in 05. The increase was due to a large part of increase in tax asking in the Management Fund in anticipation of a possible litigation settlement. The litigation was concluded in favor of the district. The increase improved the financial condition of the fund to cover insurance rate increases, possible early retirement payments and unemployment claims that did not materialize. The capital projects fund balance increased because sales tax revenues exceeded expenditures by $96,000. These unspent funds will be used for future capital projects.

The Physical Plant and Equipment Levy (PPEL) Fund balance increased from ($208,405) in 03 to ($108,145) in 04 to (27,512) in 05. While revenues remained approximately the same, the District substantially reduced the deficit fund balance from the PPEL Fund. The PPEL Fund has an increase in balance because of the increased revenues and use of the Capital Projects fund. In prior years, PPEL borrowed money from the General Fund to finance capital improvements. The PPEL Fund deficit is being reduced as the loan from the General Fund is repaid. The district anticipates only two more $75,000 for the next two years payments from PPEL to the General Fund.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from $97,704 on June 30, 2003 to $97,260 on June 30, 2004 and is currently at $83,826 at the end of June 30, 2005, representing a decrease of 14% from the previous year. Ala carte sales were dropped at the middle school but increased at the high school. There was a slight decrease in free/reduced meals served that contributed to a decrease in federal aid reimbursement. Also during FY05, the Nutrition Fund purchased a new ceiling for the kitchen in Early.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. GAAP accounting will be used beginning July 1st 2006. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

During FY05, total revenues stabilized comparatively to the year before when the FY05 budget was assembled in February, 2004. Ultimately, budgeted amounts exceeded actual revenue by $103,893. This was due to a variety of factors that could not have been anticipated when a budget estimate was assembled. On the expense side, the District began adjusting to all of these factors, and succeeded in keeping total disbursements lower than total receipts. When a preliminary budget is set, the District always requests the ability to expend its full budget if necessary, but has the goal of keeping disbursements in line with revenues as actual revenue accumulates. As a result, the District's certified budget would hopefully exceed the actual expenditures during the coming year. It is apparent that even in such a difficult fiscal year in which to accurately predict revenues, the District was succeeded in meeting its goal in keeping total disbursements $4,195,214 below total receipts $4,300,217**.**

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to an increase in spending in the Capital Improvement Projects fund.

Capital Asset and Debt Administration

Capital Assets

By the end of 2005, the District had invested $2,787,075 net of accumulated depreciation, in a broad range of assets, including school buildings, athletic facilities, transportation equipment, and computer and audio-visual equipment (see *Figure A-6*). This amount represents a net increase of $37,106 or a 1.35% increase from last year. The District was able to stay within its means and not accumulate any debt in FY05. Capital assets were purchased as revenue became available and included improvement of the irrigation system and well water system at the high school athletic complex, HVAC improvements in the district buildings.

Capital Assets (net of depreciation)

Figure A-6	Governmental Activities			Business-type Activities			Total School District			Total % Change
	2003	**2004**	**2005**	**2003**	**2004**	**2005**	**2003**	**2004**	**2005**	**2004-2005**
Land	18,889	18,889	18,889	0	0	0	18,889	18,889	18,889	**0.00%**
Construction In progress	0	0	62,525	0	0	0	0	0	62,525	
Buildings. & Improvements	2,582,979	2,579,024	2,567,956	0	0	0	2,582,979	2,579,024	2,567,956	**-0.43%**
Equip. & Furniture	150,872	117,515	103,700	37,892	34,541	34,005	188,764	152,056	137,705	**-9.44%**
TOTAL	**2,752,740**	**2,715,428**	**2,753,070**	**37,892**	**34,541**	**34,005**	**2,790,632**	**2,749,969**	**2,787,075**	**1.35%**

Construction in progress at June 30, 2005 consists of a gym floor that the District had started replacing. Approximately $62,525 will be required to complete the project. At the end of the 2005 fiscal year, the board had committed to the purchase of a new school bus, pavement of the high school parking lot, a mechanical irrigation system for the athletic complex, new carpet at the high school, and remodel the high school boys locker rooms.

Long-Term Debt

The District's June 30, 2005 long-term debt consisted of a $15,663 liability for early retirement benefits, which will be paid during the upcoming year.

Factors Bearing on the District's Future

The District is projected to remain in reasonable financial health into the immediate future. Budgeting practices such as making sure disbursements do not exceed receipts, even during challenging years like FY04 and FY05 when the budget guarantee increases, combined with a stable foundation of cash balance and moderate unspent balances, allows the District to provide the resources needed for excellent student achievement while still keeping the tax burden reasonable. In FY06, the District received allowable growth money for the first time in several years, and FY07 looks a little brighter for additional new money with the projected 4% allowable growth. We still experience declining enrollment and therefore it can offset the 4% allowable growth money. As stated last year in the MD&A, in FY08, the District will begin receiving added property value as the Wind Farm matures. Increased property value is projected to generate over $65,000.00 the first year compounded each year for 6 years to about $400,000. There are now 76 wind turbines located in the Sac County portion of the school district and 2 in the Buena Vista portion of the district for a total of 78. They are valued at about 1.5 million dollars each. They will be assessed at 5% of their value each year up to 30% in the 6th year. This will help bolster the general fund, giving the Board a variety of options regarding taxation and tax rates. However, costs outside of the Board's control such as continual increases in health insurance and higher than normal utility costs are worrisome, and employee contract settlements will also have an effect on the District's financial viability. Funds from PPEL and the SILO tax will help when making large capital improvements to the district.

For the upcoming fiscal year, more pavement for the high school is being discussed, a landscaped court yard in the front of the Schaller building, the possible purchase of a suburban, an improved laundry system in the Schaller building including a heavy-duty extracting wash machine and commercial dryer.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Dave Kwikkel, Superintendent, Schaller-Crestland Community School District, 300 S. Berwick Street, Schaller, Iowa 51053.

BASIC FINANCIAL STATEMENTS

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	$	$	$
Assets			
Cash and cash equivalents:			
ISCAP	756,383	-	756,383
Other	502,875	43,170	546,045
Receivables:			
Property tax:			
Delinquent	30,386	-	30,386
Succeeding year	1,572,107	-	1,572,107
Accounts	8,640	88	8,728
Accrued interest:			
ISCAP	162	-	162
Other	67	-	67
Due from other governments	254,143	-	254,143
Inventories	-	8,817	8,817
Capital assets, net of accumulated depreciation	2,753,070	34,005	2,787,075
Total assets	5,877,833	86,080	5,963,913
Liabilities			
Accounts payable	145,055	860	145,915
Salaries and benefits payable	58	-	58
Deferred revenue:			
Succeeding year property tax	1,572,107	-	1,572,107
Other	-	1,394	1,394
ISCAP warrants payable	753,000	-	753,000
ISCAP accrued interest payable	144	-	144
ISCAP premium	10,113	-	10,113
Long-term liabilities:			
Portion due within one year:			
Early retirement	15,663	-	15,663
Total liabilities	2,496,140	2,254	2,498,394
Net assets			
Invested in capital assets, net of related debt	2,753,070	34,005	2,787,075
Restricted for:			
Gifted and talented program	11,912	-	11,912
Other special revenue purposes	43,644	-	43,644
Local option sales tax capital projects	102,284	-	102,284
Unrestricted	470,783	49,821	520,604
Total net assets	3,381,693	83,826	3,465,519

See notes to financial statements.

Exhibit B

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	1,728,102	107,622	214,106	-
Special instruction	342,119	-	23,666	-
Other instruction	445,786	118,821	82,491	-
	2,516,007	226,443	320,263	-
Support services:				
Student services	89,577	-	17,484	-
Instructional staff services	84,785	-	-	-
Administration services	402,067	-	-	-
Operation and maintenance of plant services	346,220	260	-	-
Transportation services	236,157	-	4,694	-
	1,158,806	260	22,178	-
Other expenditures:				
Facilities acquisition	72,177	-		13,762
Long-term debt interest	140,942	-	-	-
AEA flowthrough	123,012	-	140,942	-
	336,131	-	140,942	13,762
Total governmental activities	4,010,944	226,703	483,383	13,762
Business type activities:				
Non-instructional programs:				
Food service operations	174,418	80,859	79,643	-
Total	4,185,362	307,562	563,026	13,762
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

See notes to financial statements.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(1,406,374)	-	(1,406,374)
(318,453)	-	(318,453)
(244,474)	-	(244,474)
(1,969,301)	-	(1,969,301)
(72,093)	-	(72,093)
(84,785)	-	(84,785)
(402,067)	-	(402,067)
(345,960)	-	(345,960)
(231,463)	-	(231,463)
(1,136,368)	-	(1,136,368)
(58,415)	-	(58,415)
(140,942)	-	(140,942)
17,930	-	17,930
(181,427)	-	(181,427)
(3,287,096)	-	(3,287,096)
-	(13,916)	(13,916)
(3,287,096)	(13,916)	(3,301,012)
1,427,989	-	1,427,989
122,796	-	122,796
157,842	-	157,842
216,300	-	216,300
1,549,924	-	1,549,924
14,896	482	15,378
3,699	-	3,699
3,493,446	482	3,493,928
206,350	(13,434)	192,916
3,175,343	97,260	3,272,603
3,381,693	83,826	3,465,519

See notes to financial statements.

Exhibit C

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2005

	General Fund	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	$	$	$	$
Assets				
Cash and pooled investments:				
ISCAP	756,383	-	-	756,383
Other	203,539	122,832	176,504	502,875
Receivables:				
Property tax:				
Delinquent	26,412	2,406	1,568	30,386
Succeeding year	1,305,232	131,875	135,000	1,572,107
Accounts	8,559	-	81	8,640
Accrued interest - ISCAP	162	-	-	162
Accrued interest - other	-	52	15	67
Interfund receivable/payables	150,000	(150,000)	-	-
Due from other governments	116,198	48,020	89,925	254,143
Total assets	2,566,485	155,185	403,093	3,124,763
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	23,648	2,802	118,605	145,055
Salaries and benefits payable	58	-	-	58
ISCAP warrants payable	753,000	-	-	753,000
ISCAP accrued interest payable	144	-	-	144
ISCAP premium	10,113	-	-	10,113
Deferred revenue:				
Succeeding year property tax	1,305,232	131,875	135,000	1,572,107
Other	96,039	48,020	-	144,059
Total liabilities	2,188,234	182,697	253,605	2,624,536
Fund balances:				
Reserved for:				
Gifted and talented program	11,912	-	-	11,912
Unreserved designated	259,000	-	-	259,000
Unreserved reported in:				
General fund	107,339	-	-	107,339
Special revenue funds	-	(27,512)	47,204	19,692
Capital projects funds	-	-	102,284	102,284
Total fund balances	378,251	(27,512)	149,488	500,227
Total liabilities and fund balances	2,566,485	155,185	403,093	3,124,763

See notes to financial statements.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

	$
Total fund balances of governmental funds (Exhibit C)	500,227
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,753,070
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	144,059
Long-term liabilities, including early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	(15,663)
Net assets of governmental activities (Exhibit A)	3,381,693

See notes to financial statements.

Exhibit E

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	$	$	$	$
Revenues:				
Local sources:				
Local tax	1,396,012	217,246	296,355	1,909,613
Tuition	63,905	-	-	63,905
Other	56,579	5,107	123,928	185,614
Intermediate sources	7,243	-	-	7,243
State sources	1,853,609	97	63	1,853,769
Federal sources	172,295	-	-	172,295
Total revenues	3,549,643	222,450	420,346	4,192,439
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,712,439	-	-	1,712,439
Special instruction	342,119	-	-	342,119
Other instruction	318,251	-	125,449	443,700
	2,372,809	-	125,449	2,498,258
Support services:				
Student services	86,994	-	2,583	89,577
Instructional staff services	84,785	-	-	84,785
Administration services	394,590	2,500	7,477	404,567
Operation and maintenance of plant services	296,215	-	46,848	343,063
Transportation services	203,743	-	-	203,743
	1,066,327	2,500	56,908	1,125,735
Other expenditures:				
Facilities acquisition	-	139,317	122,829	262,146
AEA flowthrough	140,942	-	-	140,942
	140,942	139,317	122,829	403,088
Total expenditures	3,580,078	141,817	305,186	4,027,081
Excess (deficiency) of revenues over (under) expenditures	(30,435)	80,633	115,160	165,358
Other financing sources (uses):				
Compensation for loss of fixed assets	112	-	-	112
Sales of materials and equipment	3,587	-	-	3,587
Total other financing sources (uses)	3,699	-	-	3,699
Net change in fund balances	(26,736)	80,633	115,160	169,057
Fund balances beginning of year	404,987	(108,145)	34,328	331,170
Fund balances end of year	378,251	(27,512)	149,488	500,227

See notes to financial statements.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	$	$
Net change in fund balances - total governmental funds (Exhibit E)		169,057
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital Expenditures exceeded depreciation expense in the year as follows:		
Expenditures for capital assets	198,311	
Depreciation expense	(160,669)	37,642
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		15,314
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement		(15,663)
Changes in net assets of governmental activities (Exhibit B)		206,350

See notes to financial statements.

Exhibit G

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2005

	Nonmajor School Nutrition
	$
Assets	
Cash and cash equivalents	43,170
Accounts receivable	88
Inventories	8,817
Capital assets, net of accumulated depreciation	34,005
Total assets	86,080
Liabilities	
Accounts payable	860
Deferred revenue	1,394
Total liabilities	2,254
Net assets	
Invested in capital assets, net of related debt	34,005
Unrestricted	49,821
Total net assets	83,826

See notes to financial statements

Exhibit H

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2005

	Nonmajor School Nutrition
	$
Operating revenue:	
Local sources:	
Charges for service	80,859
Operating expenses:	
Non-instructional programs:	
Salaries	71,554
Benefits	11,445
Purchased services	3,284
Supplies	82,370
Depreciation	5,765
	174,418
Operating gain (loss)	(93,559)
Non-operating revenue:	
State sources	2,675
Federal sources	76,968
Interest income	482
Total non-operating revenue	80,125
Change in net assets	(13,434)
Net assets beginning of year	97,260
Net assets end of year	83,826

See notes to financial statements.

Exhibit I

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2005

	Nonmajor School Nutrition
	$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	81,060
Cash payments to employees for services	(82,999)
Cash payments to suppliers for goods or services	(69,630)
Net cash used by operating activities	(71,569)
Cash flows from non-capital financing activities:	
State grants received	2,675
Federal grants received	61,075
Net cash provided by non-capital financing activities	63,750
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(1,172)
Cash flows from investing activities:	
Interest on investments	482
Net increase (decrease) in cash and cash equivalents	(8,509)
Cash and cash equivalents at beginning of year	51,679
Cash and cash equivalents at end of year	43,170
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(93,559)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	15,893
Depreciation	5,765
Decrease (increase) in inventories	(729)
Decrease (increase) in accounts receivable	103
(Decrease) increase in accounts payable	860
(Decrease) increase in deferred revenue	98
Net cash used in operating activities	(71,569)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received $15,893 of federal commodities.

See notes to financial statements.

Exhibit J

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2005

	Agency
	$
Assets	-
Liabilities	-
Net Assets	-

See notes to financial statements.

1. Summary of Significant Accounting Policies

Schaller-Crestland Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Schaller, Iowa and the predominately agricultural territory in a portion of Sac and Ida 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, Schaller-Crestland 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 Schaller-Crestland Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Physical Plant and Equipment Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the physical plant and equipment property tax levy.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004, through June 30, 2005, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

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

Asset Class	Amount $
Land	-
Buildings	5,000
Improvements other that buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings	20-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

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

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

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the other expenditures functional area exceeded the amount budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statements Number 40.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
		$
General Fund	Special Revenue: Physical Plant and Equipment Levy Fund	150,000

In a previous year the General Fund loaned the Physical Plant and Equipment Levy Fund money to finance a construction project. The loan will be repaid over the next two years.

4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			$	$	$	$
2004-05A	6/30/04	6/30/05	47	-	-	-
2005-06A	6/30/05	6/30/06	756,336	162	753,000	144
Total			756,383	162	753,000	144

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
$	$	$	$
-	-	-	-

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

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2004-05A	3.000	2.463
2005-06A	4.000	3.903

5. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	$	$	$	$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	-	62,525	-	62,525
Land	18,889	-	-	18,889
	18,889	62,525	-	81,414
Capital assets being depreciated:				
Buildings	4,989,771	50,369	-	5,040,140
Improvements other than buildings	320,407	61,575	-	381,982
Furniture and equipment	585,749	23,842	49,669	559,922
Total capital assets being deprec.	5,895,927	135,786	49,669	5,982,044
Less accumulated depreciation for:				
Buildings	2,507,904	113,982	-	2,621,886
Improvements other than buildings	223,250	9,030	-	232,280
Furniture and equipment	468,234	37,657	49,669	456,222
Total accumulated depreciation	3,199,388	160,669	49,669	3,310,388
Total capital assets being depreciated, net	2,696,539	(24,883)	-	2,671,656
Governmental activities capital assets, net	2,715,428	37,642	-	2,753,070

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	$	$	$	$
Business type activities:				
Furniture and equipment	85,759	5,229	-	90,988
Less accumulated depreciation	51,218	5,765	-	56,983
Business type activities capital assets, net	34,541	(536)	-	34,005

Depreciation expense was charged to the following functions:

	$
Governmental activities:	
Instruction:	
Other instruction	2,086
Support Services:	
Operation and maintenance of plant services	3,157
Transportation	32,414
	37,657
Unallocated depreciation	123,012
Total depreciation expense – governmental activities	160,669
Business type activities:	
Food services	5,765

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	$	$	$	$	$
Early retirement	-	15,663	-	15,663	15,663

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be between the ages of fifty-five and sixty-two and must have completed fifteen years of full-time service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on the difference between the employee's current salary and the base salary.

7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were $118,171, $116,195, and $126,681 respectively, equal to the required contributions for each year.

8. Risk Management

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled $140,942 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Construction Commitment

The District has entered into a contract of $78,150 for gym floor. At June 30, 2005 $62,525 of materials had been delivered to the school. The remaining portion of the contract will be paid after the floor is installed.

11. Fund Deficit

The Physical Plant and Equipment Levy Fund has a $27,512 deficit fund balance at June 30, 2005.

12. Lease Committments

The District has leased copy machines and an auto using operating leases. The following minimum lease payments will be made over the lives of the leases:

Year Ending June 30,	Lease Payments
	$
2006	14,412
2007	14,412
2008	9,816
2009	5,508
	44,148

REQUIRED SUPPLEMENTARY INFORMATION

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	$	$	$		$	$
Receipts:						
Local sources	2,085,339	81,542	2,166,881	2,121,914	2,121,914	44,967
Intermediate sources	3,473	-	3,473	-	-	3,473
State sources	1,853,838	2,675	1,856,513	1,937,196	1,937,196	(80,683)
Federal sources	196,382	76,968	273,350	345,000	345,000	(71,650)
Total receipts	4,139,032	161,185	4,300,217	4,404,110	4,404,110	(103,893)
Disbursements:						
Instruction	2,535,834	-	2,535,834	3,180,538	3,180,538	644,704
Support services	1,127,581	-	1,127,581	1,819,047	1,819,047	691,466
Non-instructional programs	-	169,694	169,694	232,982	232,982	63,288
Other expenditures	362,105	-	362,105	252,470	252,470	(109,635)
Total disbursements	4,025,520	169,694	4,195,214	5,485,037	5,485,037	1,289,823
Excess (deficiency) of receipts over (under) disbursements	113,512	(8,509)	105,003	(1,080,927)	(1,080,927)	1,185,930
Other financing sources (uses) net	3,587	-	3,587	-	-	3,587
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	117,099	(8,509)	108,590	(1,080,927)	(1,080,927)	1,189,517
Balance beginning of year	385,776	51,679	437,455	415,745	415,745	21,710
Balance end of year	502,875	43,170	546,045	(665,182)	(665,182)	1,211,227

See accompanying independent auditor's report

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	$	$	$
Revenues	4,139,032	53,407	4,192,439
Expenditures	4,025,520	1,561	4,027,081
Net	113,512	51,846	165,358
Other financing sources (uses) net	3,587	112	3,699
Beginning fund balances	385,776	(54,606)	331,170
Ending fund balances	502,875	(2,648)	500,227

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	$	$	$
Revenues	161,185	(201)	160,984
Expenditures	169,694	4,724	174,418
Net	(8,509)	(4,925)	(13,434)
Beginning fund balances	51,679	45,581	97,260
Ending fund balances	43,170	40,656	83,826

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

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

During the year ended June 30, 2005, disbursements in the other expenditures function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

	Special Revenue Funds		Capital Projects Fund	
Assets	Management Levy	Student Activity Fund	Sales Tax	Total
	$	$	$	$
Cash and pooled investments	1,992	54,231	120,281	176,504
Receivables:				
Property tax:				
Delinquent	1,568	-	-	1,568
Succeeding year	135,000	-	-	135,000
Accounts	-	81	-	81
Accrued interest	-	15	-	15
Due from other governments	-	-	89,925	89,925
Total assets	138,560	54,327	210,206	403,093
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	10,683	107,922	118,605
Deferred revenue:				
Succeeding year property tax	135,000	-	-	135,000
Total liabilities	135,000	10,683	107,922	253,605
Fund balances:				
Unreserved reported in:				
Special revenue funds	3,560	43,644	-	47,204
Capital projects funds	-	-	102,284	102,284
Total fund balances	3,560	43,644	102,284	149,488
Total liabilities and fund balances	138,560	54,327	210,206	403,093

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Special Revenue Funds		Capital Projects Fund	
	Management Levy	Student Activity Fund	Sales Tax	Total
	$	$	$	$
Revenues:				
Local sources:				
Local tax	80,055	-	216,300	296,355
Other	2,886	118,168	2,874	123,928
State sources	63	-	-	63
Total revenues	83,004	118,168	219,174	420,346
Expenditures:				
Current:				
Instruction:				
Other instruction	-	125,449	-	125,449
Support services:				
Student services	2,583	-	-	2,583
Administration services	7,477	-	-	7,477
Operation and maintenance of plant services	46,848	-	-	46,848
Other expenditures:				
Facilities acquisition	-	-	122,829	122,829
Total expenditures	56,908	125,449	122,829	305,186
Excess (deficiency) of revenues over (under) expenditures	26,096	(7,281)	96,345	115,160
Fund balances beginning of year	(22,536)	50,925	5,939	34,328
Fund balances end of year	3,560	43,644	102,284	149,488

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	$	$	$	$
Cross country	300	364	614	50
SCCS students	7,191	505	3,377	4,319
Activity tickets	1,512	4,574	12,586	(6,500)
Tournaments	1,999	7,890	7,517	2,372
Activity resale	660	4,791	4,910	541
Concession stand	-	9,217	9,208	9
Speech	2,129	2,091	2,751	1,469
Band resale	-	772	895	(123)
Basketball boys	1,444	1,907	2,228	1,123
Football	(1,301)	10,461	8,161	999
Baseball	(736)	5,068	3,959	373
Boys track	752	2,784	3,389	147
Boys golf	13	515	285	243
Wrestling	157	3,131	3,099	189
Girls basketball	2,012	2,109	3,051	1,070
Volleyball	497	6,387	6,304	580
Softball	(859)	3,107	1,734	514
Girls track	313	2,386	1,875	824
Girls golf	49	300	265	84
Class of 2003	962	-	-	962
Class of 2004	333	-	(5)	338
Class of 2005	4,166	(600)	3,126	440
Class of 2006	861	4,895	4,342	1,414
Class of 2007	-	1,832	-	1,832
Class of 2008	-	1,365	-	1,365
FFA club	7,977	14,349	15,287	7,039
Cheerleaders	2,880	515	1,040	2,355
Student council	762	7,737	6,862	1,637
Middle school student council	370	1,104	722	752
Peerhelpers	193	-	-	193
Teacher soda club school improvement	45	239	147	137
Industrial arts club	4	-	-	4
Annual	9,891	9,668	9,690	9,869
NHS	510	1,154	1,170	494
Tatu	29	-	-	29
Dance squad	520	5,369	3,826	2,063
K-8 activity	5,290	2,182	3,034	4,438
Total	50,925	118,168	125,449	43,644

See accompanying independent auditor's report.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2005

	Retired Faculty Insurance
	$
Balance beginning of year	-
Additions:	
Collections	8,189
Deductions:	
Miscellaneous	8,189
Balance end of year	-

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
	$	$	$	$
Revenues:				
Local sources:				
Local tax	1,909,613	1,846,569	1,615,993	1,570,486
Tuition	63,905	116,029	113,463	91,992
Other	185,614	158,845	184,421	182,849
Intermediate sources	7,243	-	-	-
State sources	1,853,769	1,687,932	1,667,902	1,725,717
Federal sources	172,295	177,364	179,688	111,440
Total revenues	4,192,439	3,986,739	3,761,467	3,682,484
Expenditures:				
Instruction:				
Regular instruction	1,712,439	1,754,881	1,821,672	1,852,263
Special instruction	342,119	446,301	401,904	416,910
Other instruction	443,700	341,820	412,199	381,100
Support services:				
Student services	89,577	77,294	118,083	118,473
Instructional staff services	84,785	36,097	61,041	48,158
Administration services	404,567	509,014	418,424	370,834
Operation and maintenance of plant services	343,063	350,241	525,344	488,441
Transportation services	203,743	145,031	258,980	185,417
Central support services	-	-	-	1,094
Other expenditures:				
Facilities acquisition	262,146	194,971	22,957	603,559
Long-term debt:				
Principal	-	-	-	1,323
Interest and other charges	-	-	-	106
AEA flowthrough	140,942	144,357	153,441	156,302
Total expenditures	4,027,081	4,000,007	4,194,045	4,623,980

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

To the Board of Education of
Schaller-Crestland Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Schaller-Crestland Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 9, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items 05-I-A, 05-I-B and 05-I-C are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

September 9, 2005

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of finds

Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

05-I-C School Expenditure Supporting Documentation: We tested twelve Student Activity Fund expenditures. Two expenditures totaling $241 did not have any supporting documentation.

Recommendation: All District payments should be supported by detailed invoices, receipts, registration forms, contracts or other documents prepared by or signed by entities outside of the District. These documents should specify exactly what the District is paying for and the amount to be paid.

District Response: The lack of documentation for this item was an oversight.

Conclusion: Response accepted.

Part II: Other Findings Related to Statutory Reporting:

05-II-A Official Depositories: Official depositories have been approved by the District. However the resolution did not state a maximum dollar amount that may be deposited in each bank.

Recommendation: The District should set a maximum dollar amount allowed in its depository resolution.

District Response: We will revise the resolution.

Conclusion: Response accepted.

05-II-B Certified Budget: Disbursement for the year ended June 30, 2005, exceeded the amount budgeted in the other expenditures function.

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

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

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

05-II-D Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

05-II-E Business Transactions: No business transactions between the District and District officials or employees were noted.

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

05-II-G Business Transactions: No transactions between the District and District officials or employees were noted.

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

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

05-II-J Certified Annual Report (CAR): We reviewed a draft copy of the CAR, and noted no significant deficiencies in the amounts reported.

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

05-II-K Financial Condition: The District has a Physical Plant and Equipment Levy deficit fund balance of $27,512 at June 30, 2005. The Student Activity Fund also had two accounts with deficit balances at the end of the year.

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

District Response: The PPEL Fund has a deficit fund balance because the District financed a previous year construction project with monies from the General Fund, rather that issuing long-term debt and paying interest. The interfund loan will be repaid from future PPEL property tax collections and the fund deficit is being reduced as the interfund loan is repaid. We will continue to work on eliminating account deficits in the Student Activity Fund.

Conclusion: Response accepted.

05-II-L Sale of Equipment: The District sold $3,500 of equipment during the year and placed the proceeds in the Special Revenue, Physical Plant and Equipment Levy Fund. The Code of Iowa specifies that proceeds from the sale of equipment be placed in the General Fund.

Recommendation: Future proceeds from the sale of equipment should be placed in the General Fund.

District Response: We were not aware of this requirement. We will record future sales of equipment in the General Fund.

Conclusion: Response accepted.

05-II-M Public Hearing: The Code of Iowa requires that schools hold a public hearing for all capital improvements with a cost exceeding $25,000. We noted that the Board approved a capital improvements for a parking lot and gym floor replacement without holding a public hearing.

Recommendation: The District should hold public hearings for all capital projects with cost in excess of $25,000.

District Response: We will do this in the future.

Conclusion: Response accepted.

05-II-N Old outstanding checks: We noted that the District's bank reconciliations included approximately $1,800 of old outstanding checks. Iowa Code Section 566 specifies that holders unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

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

Recommendation: The District should investigate the status of all old outstanding checks. Checks that were issued in error or in duplicate should be voided and removed from the list of outstanding checks. The District should search for the owners of all other outstanding checks, then reissue new checks if the owners are found. If the owners can not be found, the District must file an unclaimed property report with and send the money to the Treasurer State of Iowa.

District Response: We will begin investigating the status of old outstanding checks and we will file an unclaimed property report with the Treasurer of Iowa if necessary.

Conclusion: Response accepted.