WAYNE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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Wayne Community School District

Officials

Name	Title	Term Expires
	Board of Education (Before September 2004 Election)	
Douglas Downs	President	2004
Darrell Clark	Vice President	2005
Susan Henderson	Board Member	2006
Kirk Mourer	Board Member	2006
Melisa Niday	Board Member	2005
	Board of Education (After September 2004 Election)	
Douglas Downs	President	2007
Darrell Clark	Vice President	2005
Susan Henderson	Board Member	2006
Kirk Mourer	Board Member(Resigned)	2006
Dave Foster	Board Member(Appointed)	2005
Melisa Niday	Board Member	2005
	School Officials	
Robert Newsum	Superintendent	2005
Denise Larson	District Secretary/Treasurer and Business Manager	2005
Sue Seitz	Attorney	2005

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Wayne 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 the Wayne Community School District, Corydon, 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Wayne Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, 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 September 26, 2005 on our consideration of the Wayne Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 35 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 supplementary information. 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 Wayne Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for two years ended June 30, 2003 (which are not presented herein) and expressed an unqualified opinion on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

September 26, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Wayne 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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from $5,318,968 in fiscal 2004 to $5,162,697 in fiscal 2005, while General Fund expenditures decreased from $4,848,980 in fiscal 2004 to $4,832,607 in fiscal 2005. This resulted in an increase in the District's General Fund balance from $583,166 in fiscal 2004 to a balance of $913,256 in fiscal 2005, a 56.60% increase from the prior year.

- The overall decrease in the General Fund revenue resulted from a decrease in state and federal sources. The expenditures decreased for the year. This resulted from a decrease in staff and other expenditures.

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
Wayne Community School District Annual Financial Report

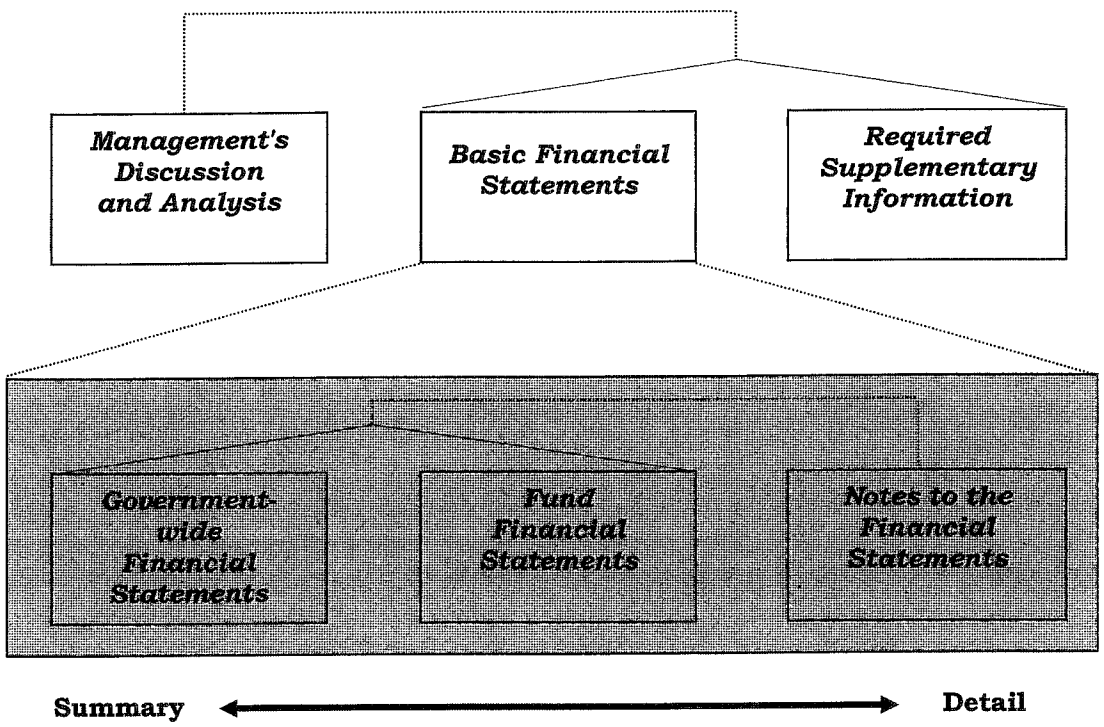

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	$ 5,697,274	5,178,776	13,048	16,575	5,710,322	5,195,351	9.91%
Capital assets	3,365,435	3,446,708	38,790	44,459	3,404,225	3,491,167	-2.49%
Total assets	9,062,709	8,625,484	51,838	61,034	9,114,547	8,686,518	4.93%
Long-term liabilities	1,729,795	1,932,410	0	0	1,729,795	1,932,410	-10.49%
Other liabilities	4,016,430	4,147,974	22,774	18,277	4,039,204	4,166,251	-3.05%
Total liabilities	5,746,225	6,080,384	22,774	18,277	5,768,999	6,098,661	-5.41%
Net assets:							
Invested in capital assets, net of related debt	1,717,451	1,606,956	38,790	44,459	1,756,241	1,651,415	6.35%
Restricted	598,733	276,366	0	0	598,733	276,366	116.64%
Unrestricted	1,000,300	661,778	(9,726)	(1,702)	990,574	660,076	50.07%
Total net assets	$ 3,316,484	2,545,100	29,064	42,757	3,345,548	2,587,857	29.28%

The District's combined net assets increased by 29.28%, or $757,691, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents 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 $322,367, or 116.64% over the prior year. The increase was primarily a result of the increase in the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased $330,498, or 50.07%. This increase in unrestricted net assets was a result of the District increase in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	$ 383,114	503,337	99,991	112,331	483,105	615,668	-21.53%
Operating grants and contributions and restricted interest	806,883	995,169	164,037	157,982	970,920	1,153,151	-15.80%
General revenues:							
Property tax	2,298,663	2,073,029	0	0	2,298,663	2,073,029	10.88%
Local option sales and services tax	280,501	49,808	0	0	280,501	49,808	463.16%
Unrestricted state grants	2,136,593	2,266,990	0	0	2,136,593	2,266,990	-5.75%
Other	136,597	22,495	248	255	136,845	22,750	501.52%
Total revenues	6,042,351	5,910,828	264,276	270,568	6,306,627	6,181,396	2.03%
Program expenses:							
Governmental activities:							
Instructional	3,480,223	3,547,555	0	0	3,480,223	3,547,555	-1.90%
Support services	1,462,537	1,424,714	0	0	1,462,537	1,424,714	2.65%
Non-instructional programs	0	0	277,969	255,488	277,969	255,488	8.80%
Other expenses	328,207	362,415	0	0	328,207	362,415	-9.44%
Total expenses	5,270,967	5,334,684	277,969	255,488	5,548,936	5,590,172	-0.74%
Changes in net assets	771,384	576,144	(13,693)	15,080	757,691	591,224	28.16%
Beginning net assets	2,545,100	1,968,956	42,757	27,677	2,587,857	1,996,633	29.61%
Ending net assets	$ 3,316,484	2,545,100	29,064	42,757	3,345,548	2,587,857	29.28%

Property tax, local option sales and services tax and unrestricted state grants account for 75% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were $6,042,351 and expenses were $5,270,967.

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	$ 3,480,223	2,468,364
Support services	1,462,537	1,462,457
Other expenses	328,207	150,149
Totals	$ 5,270,967	4,080,970

- The cost financed by users of the District's programs was $383,114.

- Federal and state governments subsidized certain programs with grants and contributions totaling $806,883.

- The net cost of governmental activities was financed with $2,298,663 in property tax, $280,501 in local option sales and services tax, $2,136,593 in state foundation aid, $60,082 in interest income and $76,763 in gain on sale of capital assets.

Business-Type Activities

Revenues of the District's business-type activities were $264,276 and expenses were $277,969. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Wayne 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 $1,590,271, above last year's ending fund balances of a $932,003. However, the primary reason for the increase in combined fund balances in fiscal 2005 is due to controlled spending in the General Fund and increased local option sales and services tax revenues.

Governmental Fund Highlights

- The District's improving General Fund financial position from $583,166 to $913,256 is the product of many factors:

    - Reduction in state aid was offset by an increase in the tax levy during the year, however still resulting in a decrease in revenue.

    - The increase in negotiated salary and benefits settlement was offset with staff reductions and controlled in the general expenditures leading to an overall reduction in expenditures for the year.

- The Capital Projects Fund balance increased from $49,949 in fiscal 2004 to $332,305 in fiscal 2005. This is the second year the District received local option sales and services tax. There were also no expenditures.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from $42,757 at June 30, 2004 to $29,064 at June 30, 2005, representing a decrease of 32.03%.

BUDGETARY HIGHLIGHTS

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

The District's revenues were $64,397 less than budgeted revenues, a variance of 1.03%. 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 practice, the certified budget was exceeded in the support services functional area due to the timing of expenditures paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested $3,404,225, 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) This amount represents a net decrease of 2.55% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was $228,699.

The original cost of the District's capital assets was $10.3 million. Governmental funds account for $10.1 million with the remainder of $0.2 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building category. The District's buildings totaled $2,998,507 at June 30, 2005, compared to $3,079,492 reported at June 30, 2004. This decrease resulted from the write off of items that never met the policy in place for capitalization and current depreciation.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Land	$ 22,500	22,500	0	0	22,500	22,500	0.00%
Buildings	2,998,507	3,079,492	0	0	2,998,507	3,079,492	-2.70%
Land improvements	42,057	46,416	0	0	42,057	46,416	-10.36%
Machinery and equipment	302,371	298,300	38,790	44,459	341,161	342,759	-0.47%
Total	$ 3,365,435	3,446,708	38,790	44,459	3,404,225	3,491,167	-2.55%

Long-Term Debt

At June 30, 2005, the District had $1,729,795 in general obligation and other long-term debt outstanding. This represents a decrease of 10.5% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General obligation bonds payable of $1,690,000 at June 30, 2005.

The District had total outstanding Loan payable from the Special Revenue – Physical Plant and Equipment Levy Fund of $25,350 at June 30, 2005.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of $14,445 at June 30, 2005.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total
	2005	2004	Change
General obligation bonds	$ 1,690,000	1,880,000	-10.1%
Loan	25,350	33,150	-23.5%
Early retirement	14,445	19,260	-25.0%
Totals	$ 1,729,795	1,932,410	-10.5%

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 District has experienced declining enrollment for several years (128 students since fiscal year 1995) and the District projections show a continued decrease for the next 5 years.
- 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 2004.
- 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.
- The voters of Wayne County passed by 86% the Local Option Sales and Services Tax for School Infrastructure (SILO). This 1 cent tax on sales and services will greatly benefit the District in maintaining their buildings and purchasing equipment. The funding began in September 2004.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Denise Larson, District Secretary/Treasurer and Business Manager, Wayne Community School District, 102 North DeKalb, Corydon, Iowa, 50060.

BASIC FINANCIAL STATEMENTS

Exhibit A

WAYNE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 4)	$ 1,157,605	0	1,157,605
Other	1,993,314	4,478	1,997,792
Receivables:			
Property tax:			
Delinquent	51,511	0	51,511
Succeeding year	2,170,153	0	2,170,153
Income surtax	94,853	0	94,853
Accounts	1,286	0	1,286
Accrued ISCAP interest(Note 4)	5,675	0	5,675
Due from other governments	222,877	4,409	227,286
Inventories	0	4,161	4,161
Capital assets, net of accumulated depreciation(Note 5)	3,365,435	38,790	3,404,225
TOTAL ASSETS	9,062,709	51,838	9,114,547
LIABILITIES			
Accounts payable	120,914	966	121,880
Salaries and benefits payable	549,587	21,384	570,971
Interest payable	4,280	0	4,280
ISCAP warrants payable(Note 4)	1,153,000	0	1,153,000
ISCAP interest payable(Note 4)	6,147	0	6,147
ISCAP unamortized premiums	12,349	0	12,349
Deferred revenue:			
Succeeding year property tax	2,170,153	0	2,170,153
Other	0	424	424
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds payable	195,000	0	195,000
Loan payable	7,800	0	7,800
Early retirement payable	9,630	0	9,630
Portion due after one year:			
General obligation bonds payable	1,495,000	0	1,495,000
Loan payable	17,550	0	17,550
Early retirement payable	4,815	0	4,815
TOTAL LIABILITIES	5,746,225	22,774	5,768,999
NET ASSETS			
Investment in capital assets, net of related debt	1,717,451	38,790	1,756,241
Restricted for:			
Phase III	1,390	0	1,390
Talented and gifted	6,419	0	6,419
Capital projects	332,305	0	332,305
Management levy	138,253	0	138,253
Physical plant and equipment levy	64,106	0	64,106
Other special revenue purposes	56,260	0	56,260
Unrestricted	1,000,300	(9,726)	990,574
TOTAL NET ASSETS	$ 3,316,484	29,064	3,345,548

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WAYNE 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
Governmental activities:			
Instruction:			
Regular instruction	$ 2,181,744	209,648	594,993
Special instruction	559,195	16,497	33,832
Other instruction	739,284	156,889	0
	3,480,223	383,034	628,825
Support services:			
Student services	134,009	0	0
Instructional staff services	70,438	0	0
Adminstration services	553,910	0	0
Operation and maintenance of plant services	440,910	0	0
Transportation services	262,752	80	0
Other support services	518	0	0
	1,462,537	80	0
Other expenditures:			
Facilities acquisitions	9,242	0	0
Long-term debt interest	55,563	0	0
AEA flowthrough	178,058	0	178,058
Depreciation(unallocated)*	85,344	0	0
	328,207	0	178,058
Total governmental activities	5,270,967	383,114	806,883
Business-Type activities:			
Non-instructional programs:			
Nutrition services	277,969	99,991	164,037
Total business-type activities	277,969	99,991	164,037
Total	$ 5,548,936	483,105	970,920

General Revenues:
Local tax for:
General purposes
Capital outlay
Debt service
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Gain on sale of capital assets

Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,377,103)	0	(1,377,103)
(508,866)	0	(508,866)
(582,395)	0	(582,395)
(2,468,364)	0	(2,468,364)
(134,009)	0	(134,009)
(70,438)	0	(70,438)
(553,910)	0	(553,910)
(440,910)	0	(440,910)
(262,672)	0	(262,672)
(518)	0	(518)
(1,462,457)	0	(1,462,457)
(9,242)	0	(9,242)
(55,563)	0	(55,563)
0	0	0
(85,344)	0	(85,344)
(150,149)	0	(150,149)
(4,080,970)	0	(4,080,970)
0	(13,941)	(13,941)
0	(13,941)	(13,941)
(4,080,970)	(13,941)	(4,094,911)
$ 2,012,515	0	2,012,515
40,945	0	40,945
245,203	0	245,203
280,501	0	280,501
2,136,593	0	2,136,593
60,082	0	60,082
76,515	248	76,763
4,852,354	248	4,852,602
771,384	(13,693)	757,691
2,545,100	42,757	2,587,857
$ 3,316,484	29,064	3,345,548

Exhibit C

WAYNE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Other Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 4)	$ 1,157,605	0	1,157,605
Other	1,440,928	552,386	1,993,314
Receivables:			
Property tax			
Delinquent	42,329	9,182	51,511
Succeeding year	1,833,227	336,926	2,170,153
Income surtax	94,853	0	94,853
Accounts	1,286	0	1,286
Accrued ISCAP interest(Note 4)	5,675	0	5,675
Due from other governments	99,973	122,904	222,877
TOTAL ASSETS	$ 4,675,876	1,021,398	5,697,274
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 113,457	7,457	120,914
Salaries and benefits payable	549,587	0	549,587
ISCAP warrants payable(Note 4)	1,153,000	0	1,153,000
ISCAP interest payable(Note 4)	6,147	0	6,147
ISCAP unamortized premiums	12,349	0	12,349
Deferred revenue:			
Succeeding year property tax	1,833,227	336,926	2,170,153
Income surtax	94,853	0	94,853
Total liabilities	3,762,620	344,383	4,107,003
Fund balances:			
Reserved for:			
Debt service	0	46,296	46,296
Phase III	1,390	0	1,390
Talented and gifted	6,419	0	6,419
Unreserved:			
Undesignated:			
General	905,447	0	905,447
Management levy	0	152,698	152,698
Other special revenue purposes	0	56,260	56,260
Physical plant and equipment levy	0	89,456	89,456
Capital projects	0	332,305	332,305
Total fund balances	913,256	677,015	1,590,271
TOTAL LIABILITIES AND FUND BALANCES	$ 4,675,876	1,021,398	5,697,274

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit D

WAYNE 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 (page 17)	$ 1,590,271
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 in the governmental funds.	3,365,435
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	94,853
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(4,280)
Long-term liabilities, including early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(1,729,795)
Net assets of governmental activites (page 14)	$ 3,316,484

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit E

WAYNE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	$ 1,917,848	563,968	2,481,816
Tuition	226,145	0	226,145
Other	72,294	144,757	217,051
State sources	2,550,213	105,869	2,656,082
Federal sources	392,968	0	392,968
Total revenues	5,159,468	814,594	5,974,062
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	2,152,571	0	2,152,571
Special instruction	578,603	0	578,603
Other instruction	598,106	127,102	725,208
	3,329,280	127,102	3,456,382
Support services:			
Student services	128,081	0	128,081
Instructional staff services	70,438	0	70,438
Administration services	553,910	0	553,910
Operation and maintenance of plant services	340,933	96,709	437,642
Transportation services	231,389	0	231,389
Other support services	518	0	518
	1,325,269	96,709	1,421,978
Other expenditures:			
Facilities acquisitions	0	9,242	9,242
Long-term debt:			
Principal	0	197,800	197,800
Interest and fiscal charges	0	55,563	55,563
AEA flowthrough	178,058	0	178,058
	178,058	262,605	440,663
Total expenditures	4,832,607	486,416	5,319,023
Excess of revenues over expenditures	326,861	328,178	655,039
Other financing sources(uses):			
Sale of equipment	3,229	0	3,229
Transfers in	0	7,800	7,800
Transfers out	0	(7,800)	(7,800)
Total other financing sources(uses)	3,229	0	3,229
Net change in fund balances	330,090	328,178	658,268
Fund balance beginning of year	583,166	348,837	932,003
Fund balance end of year	$ 913,256	677,015	1,590,271

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit F

WAYNE 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 (page 19)		$ 658,268
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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year are as follows:		
Expenditures for capital assets	$ 67,715	
Depreciation expense	(222,274)	
Gain on disposal of capital assets	73,286	(81,273)
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.		197,800
Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		(8,226)
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.		
Early Retirement		4,815
Changes in net assets of governmental activities (page 16)		$ 771,384

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit G

WAYNE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

	School Nutrition
ASSETS	
Cash and pooled investments	$ 4,478
Due from other governments	4,409
Inventories	4,161
Capital assets, net of accumulated depreciation(Note 5)	38,790
TOTAL ASSETS	51,838
LIABILITIES	
Accounts payable	966
Salaries and benefits payable	21,384
Deferred revenues:	
Other	424
TOTAL LIABILITIES	22,774
NET ASSETS	
Investment in capital assets	38,790
Unrestricted	(9,726)
TOTAL NET ASSETS	$ 29,064

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit H

WAYNE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	$ 99,991
TOTAL OPERATING REVENUES	99,991
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	85,608
Benefits	37,974
Services	7,938
Supplies	140,024
Depreciation	6,425
TOTAL OPERATING EXPENSES	277,969
OPERATING LOSS	(177,978)
NON-OPERATING REVENUES:	
State sources	3,554
Federal sources	160,483
Interest on investments	248
TOTAL NON-OPERATING REVENUES	164,285
Change in net assets	(13,693)
Net assets beginning of year	42,757
Net assets end of year	$ 29,064

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit I

WAYNE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	$ 102,205
Cash received from miscellaneous sources	1,296
Cash payments to employees for services	(120,117)
Cash payments to suppliers for goods or services	(132,819)
Net cash used in operating activities	(149,435)
Cash flows from non-capital financing activities:	
State grants received	3,554
Federal grants received	144,689
Net cash provided by non-capital financing activities	148,243
Cash flows from capital and related financing activities:	
Purchase of capital assets	(756)
Net cash used in capital and related financing activities	(756)
Cash flows from investing activities:	
Interest on investments	248
Net cash provided by investing activities	248
Net decrease in cash and cash equivalents	(1,700)
Cash and cash equivalents at beginning of year	6,178
Cash and cash equivalents at end of year	$ 4,478
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (177,978)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	12,926
Depreciation	6,425
Decrease in inventories	1,609
Decrease in accounts receivable	3,086
Increase in accounts payable	608
Increase in salaries and benefits payable	3,465
Increase in deferred revenue	424
Net cash used in operating activities	$ (149,435)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	$ 4,478

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at $12,926.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

(1) Summary of Significant Accounting Policies

The Wayne Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Corydon, Iowa, and the predominate agricultural territory in Wayne and Lucas 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, Wayne 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 Wayne 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 Wayne and Lucas 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 District reports the following nonmajor proprietary funds:

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.

C. Measurement Focus and Basis of Accounting

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

Asset Class	Amount
Land	$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	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
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which 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.

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 support services functional area exceeded the amounts budgeted and the District exceeds its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits 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 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.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	$ 28,622

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue - Physical Plant and Equipment Levy	$ 7,800

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

(4) 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. Bankers Trust Co. NA 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	$ 143	0	0	0
2004-05B	1/28/05	1/27/06	420,211	5,675	419,000	6,147
2005-06A	6/28/05	6/28/06	737,251	0	734,000	0
Total			$ 1,157,605	5,675	1,153,000	6,147

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:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004-05B	$ 0	100,000	100,000	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
2004-05A	3.000%	2.463%
2004-05B	3.500%	3.232%
2005-06A	3.500%	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:				
Land	$ 22,500	0	0	22,500
Total capital assets not being depreciated	22,500	0	0	22,500
Capital assets being depreciated:				
Buildings	7,327,847	0	0	7,327,847
Land improvements	261,979	0	0	261,979
Machinery and equipment	2,460,326	67,715	8,334	2,519,707
Total capital assets being depreciated	10,050,152	67,715	8,334	10,109,533
Less accumulated depreciation for:				
Buildings	4,248,355	80,985	0	4,329,340
Land improvements	215,563	4,359	0	219,922
Machinery and equipment	2,162,026	136,930	81,620	2,217,336
Total accumulated depreciation	6,625,944	222,274	81,620	6,766,598
Total capital assets being depreciated, net	3,424,208	(154,559)	(73,286)	3,342,935
Governmental activities capital assets, net	$ 3,446,708	(154,559)	(73,286)	3,365,435

	Balance Year	Increases	Decreases	Balance of Year
Business-type activities:				
Machinery and equipment	$ 161,413	756	0	162,169
Less accumulated depreciation	116,954	6,425	0	123,379
Business-type activities capital assets, net	$ 44,459	(5,669)	0	38,790

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	$ 53,884
Special	10,522
Other	16,900
Support services:	
Instructional staff	5,928
Operation and maintenance of plant	3,268
Transportation	46,428
	136,930
Unallocated depreciation	85,344
Total governmental activities depreciation expense	$ 222,274
Business-type activities:	
Food services	$ 6,425
Total business-type activities depreciation expense	$ 6,425

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	$ 1,880,000	0	190,000	1,690,000	195,000
Loan payable	33,150	0	7,800	25,350	7,800
Early retirement	19,260	0	4,815	14,445	9,630
Total	$ 1,932,410	0	202,615	1,729,795	212,430

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond issue of May 1, 2003			
	Interest Rates	Principal	Interest	Total
2006	2.00 %	$ 195,000	49,413	244,413
2007	2.30	200,000	45,162	245,162
2008	2.65	200,000	40,213	240,213
2009	3.00	205,000	34,487	239,487
2010	3.25	215,000	27,919	242,919
2011	3.50	220,000	20,575	240,575
2012	3.60	225,000	12,675	237,675
2013	3.75	230,000	4,312	234,312
Total		$ 1,690,000	234,756	1,924,756

Loan Payable

The District entered into a no interest loan agreement with Alliant Energy to replace a boiler. Repayment of this loan will be paid out of the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the District's June 30, 2005, loan indebtedness is as follows:

Year Ending June 30,	Principal
2006	$ 7,800
2007	7,800
2008	7,800
2009	1,950
Total	$ 25,350

Early Retirement

The District offers a voluntary early retirement plan to its administrators and certified employees. Eligible employees must be at least age fifty-five and employees must have completed thirty years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The District will pay the retiree an incentive equal to the retirees previous contract less the base salary times 75%. Early retirement benefits paid during the year ended June 30, 2005, totaled $4,815. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund the early retirement incentives.

(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 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 contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were $173,846, $176,501 and $182,802 respectively, equal to the required contributions for each year.

(8) Risk Management

Wayne 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 $178,058 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) Deficit Net Assets

The Enterprise, Nutrition fund has a deficit unrestricted fund balance of $9,726 at June 30, 2005.

(11) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2005 disbursements in the support services functional area exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

WAYNE 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, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	$ 2,959,894	103,749
State sources	2,566,909	3,554
Federal sources	383,762	157,615
Total receipts	5,910,565	264,918
Disbursements:		
Instruction	3,365,182	0
Support services	1,417,376	0
Non-instructional programs	0	266,618
Other expenditures	440,663	0
Total disbursements	5,223,221	266,618
Excess(deficiency) of receipts over(under) disbursements	687,344	(1,700)
Other financing sources, net	3,229	0
Excess(deficiency) of receipts and other financing sources over(under) disbursements	690,573	(1,700)
Balance beginning of year	1,302,741	6,178
Balance end of year	$ 1,993,314	4,478

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance - Positive (Negative)
3,063,643	3,185,659	3,185,659	(122,016)
2,570,463	2,482,221	2,482,221	88,242
541,377	572,000	572,000	(30,623)
6,175,483	6,239,880	6,239,880	(64,397)
3,365,182	3,992,041	3,992,041	626,859
1,417,376	1,403,806	1,403,806	(13,570)
266,618	282,248	282,248	15,630
440,663	772,513	772,513	331,850
5,489,839	6,450,608	6,450,608	960,769
685,644	(210,728)	(210,728)	896,372
3,229	0	0	3,229
688,873	(210,728)	(210,728)	896,372
1,308,919	925,952	925,952	382,967
1,997,792	715,224	715,224	1,279,339

WAYNE COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2005

	Governmental Fund Types		
	Cash Basis	Accrual Adjust-ments	Accrual Basis
Revenues	$ 5,910,565	63,497	5,974,062
Expenses	5,223,221	95,802	5,319,023
Net	687,344	(32,305)	655,039
Other financing sources	3,229	0	3,229
Beginning fund balances	1,302,741	(370,738)	932,003
Ending fund balances	$ 1,993,314	(403,043)	1,590,271

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjust-ments	Accrual Basis
Revenues	$ 264,918	(642)	264,276
Expenses	266,618	11,351	277,969
Net	(1,700)	(11,993)	(13,693)
Beginning net assets	6,178	36,579	42,757
Ending net assets	$ 4,478	24,586	29,064

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAYNE 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 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, 2005, disbursements in the Support services functional area exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

Schedule 1

WAYNE COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special Revenue Funds						Total Other Nonmajor Governmental Funds
	Management	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Debt Service	
ASSETS							
Cash and pooled investments	$ 150,292	63,717	88,506	302,515	209,401	40,470	552,386
Receivables:							
Property tax							
Current year delinquent	2,406	0	950	3,356	0	5,826	9,182
Succeeding year	100,000	0	40,163	140,163	0	196,763	336,926
Due from other governments	0	0	0	0	122,904	0	122,904
TOTAL ASSETS	$ 252,698	63,717	129,619	446,034	332,305	243,059	1,021,398
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable	$ 0	7,457	0	7,457	0	0	7,457
Deferred revenue							
Succeeding year property tax	100,000	0	40,163	140,163	0	196,763	336,926
	100,000	7,457	40,163	147,620	0	196,763	344,383
Fund equity:							
Fund balances:							
Reserved for Debt Service	0	0	0	0	0	46,296	46,296
Unreserved, undesignated	152,698	56,260	89,456	298,414	332,305	0	630,719
	152,698	56,260	89,456	298,414	332,305	46,296	677,015
TOTAL LIABILITIES AND FUND EQUITY	$ 252,698	63,717	129,619	446,034	332,305	243,059	1,021,398

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 2

WAYNE COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	Special Revenue Funds						
	Management	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Debt Service	Total Other Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	$ 102,893	0	40,945	143,838	174,927	245,203	563,968
Other	13,150	126,660	1,151	140,961	1,855	1,941	144,757
State sources	78	0	30	108	105,574	187	105,869
TOTAL REVENUES	116,121	126,660	42,126	284,907	282,356	247,331	814,594
EXPENDITURES:							
Current:							
Instruction:							
Other instruction	0	127,102	0	127,102	0	0	127,102
Support services:							
Operation and maintenance of plant services	96,709	0	0	96,709	0	0	96,709
Other expenditures:							
Facilities acquisitions	0	0	9,242	9,242	0	0	9,242
Long-term debt:							
Principal	0	0	0	0	0	197,800	197,800
Interest and fiscal charges	0	0	0	0	0	55,563	55,563
TOTAL EXPENDITURES	96,709	127,102	9,242	233,053	0	253,363	486,416
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	19,412	(442)	32,884	51,854	282,356	(6,032)	328,178
OTHER FINANCING SOURCES(USES):							
Transfer in	0	0	0	0	0	7,800	7,800
Transfer out	0	0	(7,800)	(7,800)	0	0	(7,800)
TOTAL OTHER FINANCING SOURCES(USES)	0	0	(7,800)	(7,800)	0	7,800	0
EXCESS(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES AND OTHER FINANCING USES	19,412	(442)	25,084	44,054	282,356	1,768	328,178
FUND BALANCE BEGINNING OF YEAR	133,286	56,702	64,372	254,360	49,949	44,528	348,837
FUND BALANCE END OF YEAR	$ 152,698	56,260	89,456	298,414	332,305	46,296	677,015

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 3

WAYNE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi-tures	Balance End of Year
Secondary students fund	$ 1,242	6,195	5,837	1,600
Activity tickets	2,086	6,770	6,326	2,530
Publication/plays fund	1,115	30	74	1,071
HS music club	(651)	1,151	636	(136)
JH music club	(780)	1,306	1,189	(663)
Cross country	23	300	317	6
Golf	0	67	67	0
Boys basketball	4,073	5,028	5,897	3,204
Football	0	7,285	6,756	529
Baseball	(862)	4,200	6,430	(3,092)
Boys track	952	1,576	1,349	1,179
Wrestling	0	2,037	1,780	257
Girls basketball	1,960	3,615	2,223	3,352
Volleyball	1,230	3,665	3,568	1,327
Softball	(174)	3,717	4,088	(545)
Girls track	0	597	597	0
Class of 2004	489	204	581	112
Class of 2005	909	5,634	5,785	758
Class of 2006	33	25	45	13
Class of 2007	9	35	43	1
Alternative school class	241	529	541	229
Yearbook	11,265	6,770	9,338	8,697
NHS	472	226	290	408
FBLA	1,873	150	248	1,775
FFA	332	9,591	10,325	(402)
FCCLA	308	3,204	3,259	253
At risk student fund	11	2,294	2,106	199
HS student council	2,193	3,996	2,844	3,345
Art club	1,145	3,061	2,526	1,680
FEA club	1,003	117	71	1,049
Spanish club	54	90	90	54
HS tech club	458	1,113	1,035	536
Cheerleaders	(77)	1,449	1,124	248
JH/HS liabrary club	0	1,544	1,536	8
History club	148	2,635	5,412	(2,629)
Teen leadership	782	464	420	826
JH clubs/organizations	1,298	9,151	7,253	3,196
JH student council	151	366	163	354
Elem. clubs/organizations	20,450	19,566	19,932	20,084
Elem. Library fund	941	6,907	5,001	2,847
Live classroom	2,000	0	0	2,000
Total	$ 56,702	126,660	127,102	56,260

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 4

WAYNE 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,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	$ 2,481,816	2,114,979	1,896,605	1,840,816
Tuition	226,145	285,547	235,248	182,128
Other	217,051	240,285	174,965	253,645
State sources	2,656,082	2,718,332	2,933,030	2,840,673
Federal sources	392,968	543,827	514,266	463,790
Total	$ 5,974,062	5,902,970	5,754,114	5,581,052
Expenditures:				
Current:				
Instruction:				
Regular instruction	$ 2,152,571	2,102,497	1,998,950	1,739,725
Special instruction	578,603	912,150	1,016,046	1,499,578
Other instruction	725,208	487,735	486,768	489,290
Support services:				
Student services	128,081	74,557	122,545	121,317
Instructional staff services	70,438	71,042	81,667	76,880
Adminstration services	553,910	536,818	552,230	531,254
Operation and maintenance of plant services	437,642	481,703	396,869	476,285
Transportation services	231,389	229,625	245,663	254,795
Other support services	518	12,365	0	0
Non-instructional programs	0	0	1,230	21,040
Other expenditures:				
Facilities acquisitions	9,242	26,162	15,679	58,409
Long-term debt:				
Principal	197,800	187,800	167,800	162,800
Interest and other charges	55,563	63,659	135,442	117,727
AEA flow-through	178,058	183,277	199,087	197,889
Total	$ 5,319,023	5,369,390	5,419,976	5,746,989

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 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 the
Wayne 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 Wayne 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 26, 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 Wayne 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 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 item I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wayne 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 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 Wayne Community School District and other parties to whom Wayne Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Wayne Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

September 26, 2005

WAYNE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

I-A-05 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-05 Payments to Officials that were Employees - Payments made to officials that were also employees of the District were not run through payroll.

Recommendation - The District employees should be paid through payroll.

Response - We have corrected and now are running employees that officiate through payroll.

Conclusion - Response accepted.

WAYNE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

II-A-05 Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2005

Recommendation - The district should increase their depository limits.

Response - We will raise them in the future.

Conclusion - Response accepted.

II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005 exceeded the amount budgeted in the support services functional area.

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

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

Conclusion - Response accepted.

II-C-05 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.

II-D-05 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-05 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kirk Mourer, Board Member President of Corydon State Bank	Bank Officer	-

Recommendation - The District should consult legal counsel to determine the potential conflict of interest of this Board Member.

Response - We will consult with our attorney.

Conclusion - Response accepted.

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

II-I-05 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-05 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-05 Financial Condition - The District had a deficit unrestricted fund balance of $9,726 in the Enterprise, Nutrition fund. In addition, we noted a few deficit accounts in the Special Revenue, Student Activity fund.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits. The District should consider a workout plan to bring the Student Activity fund accounts to a solvent position.

Response - We will review these funds and investigate options available to eliminate the deficit balance.

Conclusion - Response accepted.