

WHITING COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

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Independent Auditor's Report

To the Board of Education of  
Whiting 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 Whiting Community School District, Whiting, 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 Whiting 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 report dated August 2, 2005, on our consideration of Whiting 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 11 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 Whiting 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 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.

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

August 2, 2005

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Whiting 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 \$2,097,027 in fiscal 2004 to \$2,065,301 in fiscal 2005, while General Fund expenditures decreased from \$1,971,378 in fiscal 2004 to \$1,899,600 in fiscal 2005. The District's General Fund balance increased from \$27,101 in fiscal 2004 to \$193,422 in fiscal 2005.
- The decrease in General Fund revenues was attributable to a decrease in property tax in fiscal 2005.

### 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 Whiting 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 Whiting 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 Whiting Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to 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 Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

## 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 financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

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

- 3) The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.
- 4) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
  - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

Figure A-1

	Condensed Statement of Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Current and other assets	2,752,319	2,254,411	18,194	11,873	2,770,513	2,266,284	22%
Capital assets	1,306,307	1,365,518	4,360	3,040	1,310,667	1,368,558	-4%
<b>Total assets</b>	<b>4,058,626</b>	<b>3,619,929</b>	<b>22,554</b>	<b>14,913</b>	<b>4,081,180</b>	<b>3,634,842</b>	<b>12%</b>
Long-term liabilities	888,392	944,043	-	-	888,392	944,043	-6%
Other liabilities	1,992,960	1,775,358	9,066	4,249	2,002,026	1,779,607	12%
<b>Total liabilities</b>	<b>2,881,352</b>	<b>2,719,401</b>	<b>9,066</b>	<b>4,249</b>	<b>2,890,418</b>	<b>2,723,650</b>	<b>6%</b>
Net Assets:							
Invested in capital assets, net of related debt	465,986	464,622	4,360	3,040	470,346	467,662	1%
Restricted	489,016	377,759	-	-	489,016	377,759	29%
Unrestricted	222,272	58,147	9,128	7,624	231,400	65,771	252%
<b>TOTAL NET ASSETS</b>	<b>1,177,274</b>	<b>900,528</b>	<b>13,488</b>	<b>10,664</b>	<b>1,190,762</b>	<b>911,192</b>	<b>31%</b>

The District's combined net assets increased by nearly 31%, or approximately \$279,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

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 \$112,000 or 29% over the prior year.

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 approximately \$165,000. This increase in unrestricted net assets was a result of the District expenditures for the year being less than revenues.

Figure A-2 shows the change in net assets for the years ended June 30, 2005 and 2004.

Figure A-2

	Change in Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	
Revenues							
Program Revenues:							
Charges for services	336,538	407,646	47,843	40,287	384,381	447,933	-14%
Operating grants & contributions	321,428	276,270	56,587	53,564	378,015	329,834	15%
Capital grants & contributions	-	32,151	-	-	-	32,151	-100%
General Revenues:							0%
Property taxes	967,865	1,130,080	-	-	967,865	1,130,080	-14%
Income Surtax	53,466	48,827	-	-	53,466	48,827	10%
Local option sales tax	81,867	78,168	-	-	81,867	78,168	5%
Unrestricted state grants	642,653	506,051	-	-	642,653	506,051	27%
Unrestricted investment earnings	24,784	3,445	203	39	24,987	3,484	617%
Other revenue	2,204	1,518	-	-	2,204	1,518	45%
<b>Total Revenues</b>	<b>2,430,805</b>	<b>2,484,156</b>	<b>104,633</b>	<b>93,890</b>	<b>2,535,438</b>	<b>2,578,046</b>	<b>-2%</b>
Expenses:							
Instruction	1,346,909	1,465,743	-	-	1,346,909	1,465,743	-8%
Support services	613,483	587,281	-	-	613,483	587,281	4%
Non-instructional programs	-	-	104,109	95,080	104,109	95,080	9%
Other expenditures	191,367	159,299	-	-	191,367	159,299	20%
<b>Total expenses</b>	<b>2,151,759</b>	<b>2,212,323</b>	<b>104,109</b>	<b>95,080</b>	<b>2,255,868</b>	<b>2,307,403</b>	<b>-2%</b>
<b>Change in net assets before transfers</b>	<b>279,046</b>	<b>271,833</b>	<b>524</b>	<b>(1,190)</b>	<b>279,570</b>	<b>270,643</b>	<b>3%</b>
Transfers	(2,300)	(552)	2,300	552	-	-	0%
<b>CHANGE IN NET ASSETS</b>	<b>276,746</b>	<b>271,281</b>	<b>2,824</b>	<b>(638)</b>	<b>279,570</b>	<b>270,643</b>	<b>3%</b>
Net assets beginning of year	900,528	629,247	10,664	11,302	911,192	640,549	42%
Net assets end of year	1,177,274	900,528	13,488	10,664	1,190,762	911,192	31%

Property tax and unrestricted state grants account for 72% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 56% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$2,430,805 and expenses were \$2,151,759. The District was able to balance the budget by trimming expenses below available revenues.

The following figure [A-3] presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-3

### Total and Net Cost of Governmental Activities

	Total Cost of Services 2005 \$	Total Cost of Services 2004 \$	Net Cost of Services 2005 \$	Net Cost of Services 2004 \$
Instruction	1,346,909	1,465,743	774,804	880,366
Support Services	613,483	587,281	594,069	556,145
Non-instructional Programs	-	-	-	-
Other Expenses	191,367	159,299	124,920	59,745
<b>TOTAL</b>	<b>2,151,759</b>	<b>2,212,323</b>	<b>1,493,793</b>	<b>1,496,256</b>

- The cost financed by users of the District's programs was \$336,538.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$321,428.
- The net cost of governmental activities was financed with \$1,103,198 in property and other taxes and \$642,653 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$104,633 and expenses were \$104,109. 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.

During the year ended June 30, 2004, the District increased meal prices for the first time in three years. This increase resulted in increased revenue to the School Nutrition Fund that the District has obligated for replacement of obsolete kitchen equipment at two elementary buildings in the next fiscal year.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Whiting 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 a combined fund balance of \$711,704, well above last year's ending fund balances of \$429,029.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues.
- The General Fund balance increased from \$27,101 to \$193,422
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$90,522 in fiscal 2004 to \$142,875 in fiscal 2005
- The Capital Projects Fund balance increased from a fiscal 2004 balance of 253,397 to a fiscal 2005 ending balance of \$303,045

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$10,664 at June 30, 2004 to \$13,488 at June 30, 2005. For fiscal 2005, the District increased meal prices, resulting in the increase in net assets. The District also revamped its school lunch program to provide students with the option of salad and/or pasta bars at lunch with little additional cost to the program. This change resulted in an increase in meals served and a related increase in revenue and net assets.

## **BUDGETARY HIGHLIGHTS**

The District's receipts were \$513,899 less than budgeted receipts. The most significant variance resulted from the District receiving less in federal revenue than originally anticipated.

Total expenditures were less than budgeted, due 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.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2005, the District had invested \$1.31 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$60,191.

The original cost of the District's capital assets was \$2.36 million. Governmental funds account for \$2.34 million, with the remainder of \$0.02 million accounted for in the Proprietary, School Nutrition Fund.

**Figure A-4**

**Capital Assets (net of depreciation)**

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2004-2005
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Construction in progress	-	-	-	-	-	-	0%
Buildings	1,196,700	1,229,400	-	-	1,196,700	1,229,400	-3%
Improvements	37,125	44,550	-	-	37,125	44,550	-17%
Equipment & Furniture	62,482	81,568	4,360	3,040	66,842	84,608	-21%
<b>TOTAL</b>	<b>1,306,307</b>	<b>1,365,518</b>	<b>4,360</b>	<b>3,040</b>	<b>1,310,667</b>	<b>1,368,558</b>	<b>-4%</b>

**Long-Term Debt**

At June 30, 2005, the District had \$888,392 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 6% from last year. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

**Figure A-5  
Outstanding Long-Term Obligations**

	Total School District		Percentage
	2005	2004	Change
	\$	\$	2004-2005
General Obligation Bonds	825,000	880,000	-6%
Capital Leases	15,321	20,896	-27%
Early Retirement	25,716	20,388	26%
Compensated Absences	22,355	22,759	-2%
	<b>888,392</b>	<b>944,043</b>	<b>-6%</b>

**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:

- Monona County has advised the District that, due to the recent completion of property revaluation assessments, the District's total taxable valuation will increase from \$66,474,544 to \$71,081,567 for property tax collected in fiscal 2006.
- Although the District has experienced declining resident enrollment for the past three years, the District expects a slight increase in future enrollment due to open enrollment into the District.
- School financing is highly dependent upon student enrollment. The District's September 2005 resident enrollment decreased by eight students. This drop in enrollment will decrease the District's state aid funding however, it is anticipated the funds derived from open enrollment into the district will increase the total funding for fiscal year 2007.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, two school vans had to be replaced during fiscal 2006 at a total cost of \$35,642. To pay for these vans, the District used resources from the Physical Plant and Equipment Levy Fund.

### **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 Lori West, District Board Secretary, Whiting Community School District, 606 West Street, Whiting, Iowa, 51063.

## BASIC FINANCIAL STATEMENTS

## WHITING COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	705,741	-	705,741
Other	872,345	17,164	889,509
Receivables:			
Property tax:			
Delinquent	19,642	-	19,642
Succeeding year	1,078,092	-	1,078,092
Accounts	-	25	25
Accrued interest:			
ISCAP	3,965	-	3,965
Due from other governments	72,534	-	72,534
Inventories	-	1,005	1,005
Capital assets, net of accumulated depreciation	1,306,307	4,360	1,310,667
	<u>4,058,626</u>	<u>22,554</u>	<u>4,081,180</u>
<b>Liabilities</b>			
Accounts payable	12,416	-	12,416
Salaries and benefits payable	184,332	8,304	192,636
Accrued interest payable	3,550	-	3,550
Deferred revenue:			
Succeeding year property tax	1,078,092	-	1,078,092
Other	-	762	762
ISCAP warrants payable	703,000	-	703,000
ISCAP accrued interest payable	4,285	-	4,285
ISCAP premium	7,285	-	7,285
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	60,000	-	60,000
Capital leases	6,144	-	6,144
Early retirement	10,837	-	10,837
Compensated absences	3,680	-	3,680
Portion due after one year:			
General obligation bonds payable	765,000	-	765,000
Capital leases	9,177	-	9,177
Early retirement	14,879	-	14,879
Compensated absences	18,675	-	18,675
	<u>2,881,352</u>	<u>9,066</u>	<u>2,890,418</u>

## WHITING COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Net assets</b>			
Invested in capital assets, net of related debt	465,986	4,360	470,346
Restricted for:			
Management levy	6,514	-	6,514
Capital outlay	445,920	-	445,920
Other special revenue purposes	26,326	-	26,326
Debt service	10,256	-	10,256
Unrestricted	<u>222,272</u>	<u>9,128</u>	<u>231,400</u>
<b>Total net assets</b>	<u><u>1,177,274</u></u>	<u><u>13,488</u></u>	<u><u>1,190,762</u></u>

## WHITING COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	
			<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	797,667	232,814	190,889	-
Special instruction	397,659	40,112	44,833	-
Other instruction	151,583	63,457	-	-
	<u>1,346,909</u>	<u>336,383</u>	<u>235,722</u>	<u>-</u>
Support services:				
Student services	28,335	-	18,936	-
Instructional staff services	48,981	-	-	-
Administration services	339,350	-	-	-
Operation and maintenance of plant services	138,818	155	-	-
Transportation services	57,999	-	323	-
	<u>613,483</u>	<u>155</u>	<u>19,259</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	37,802	-	-	-
Long-term debt interest	46,993	-	-	-
AEA flowthrough	66,447	-	66,447	-
Depreciation (unallocated)*	40,125	-	-	-
	<u>191,367</u>	<u>-</u>	<u>66,447</u>	<u>-</u>
Total governmental activities	2,151,759	336,538	321,428	-
Business type activities:				
Non-instructional programs:				
Food service operations	104,109	47,843	56,587	-
Total	<u>2,255,868</u>	<u>384,381</u>	<u>378,015</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				
<b>Change in net assets</b>				
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.

## WHITING COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(373,964)	-	(373,964)
(312,714)	-	(312,714)
(88,126)	-	(88,126)
<u>(774,804)</u>	<u>-</u>	<u>(774,804)</u>
(9,399)	-	(9,399)
(48,981)	-	(48,981)
(339,350)	-	(339,350)
(138,663)	-	(138,663)
(57,676)	-	(57,676)
<u>(594,069)</u>	<u>-</u>	<u>(594,069)</u>
(37,802)	-	(37,802)
(46,993)	-	(46,993)
-	-	-
(40,125)	-	(40,125)
<u>(124,920)</u>	<u>-</u>	<u>(124,920)</u>
(1,493,793)	-	(1,493,793)
-	321	321
<u>(1,493,793)</u>	<u>321</u>	<u>(1,493,472)</u>
801,490	-	801,490
100,296	-	100,296
66,079	-	66,079
53,466	-	53,466
81,867	-	81,867
642,653	-	642,653
24,784	203	24,987
2,204	-	2,204
<u>1,772,839</u>	<u>203</u>	<u>1,773,042</u>
(2,300)	2,300	-
<u>1,770,539</u>	<u>2,503</u>	<u>1,773,042</u>
276,746	2,824	279,570
<u>900,528</u>	<u>10,664</u>	<u>911,192</u>
<u>1,177,274</u>	<u>13,488</u>	<u>1,190,762</u>

## WHITING COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2005

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments:				
ISCAP	705,741	-	-	705,741
Other	371,292	269,847	231,206	872,345
Receivables:				
Property tax:				
Delinquent	15,287	-	4,355	19,642
Succeeding year	839,424	-	238,668	1,078,092
Accrued interest - ISCAP	3,965	-	-	3,965
Interfund receivable	-	20,324	-	20,324
Due from other governments	59,660	12,874	-	72,534
<b>Total assets</b>	<b>1,995,369</b>	<b>303,045</b>	<b>474,229</b>	<b>2,772,643</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Warrants issued in excess of bank balance				
Accounts payable	12,416	-	-	12,416
Salaries and benefits payable	184,332	-	-	184,332
Interfund payable	-	-	20,324	20,324
ISCAP warrants payable	703,000	-	-	703,000
ISCAP accrued interest payable	4,285	-	-	4,285
ISCAP premium	7,285	-	-	7,285
Deferred revenue:				
Succeeding year property tax	839,424	-	238,668	1,078,092
Other	51,205	-	-	51,205
Total liabilities	<u>1,801,947</u>	<u>-</u>	<u>258,992</u>	<u>2,060,939</u>
Fund balances:				
Reserved for:				
Debt service	-	-	13,806	13,806
Unreserved reported in:				
General fund	193,422	-	-	193,422
Special revenue funds	-	-	201,431	201,431
Capital projects funds	-	303,045	-	303,045
Total fund balances	<u>193,422</u>	<u>303,045</u>	<u>215,237</u>	<u>711,704</u>
<b>Total liabilities and fund balances</b>	<b>1,995,369</b>	<b>303,045</b>	<b>474,229</b>	<b>2,772,643</b>

## WHITING 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)**

711,704

***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.

1,306,307

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.

51,205

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

(3,550)

Long-term liabilities, including bonds payable, capital leases, compensated absences and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.

(888,392)**Net assets of governmental activities (Exhibit A)**1,177,274

## WHITING COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	809,362	81,867	214,569	1,105,798
Tuition	123,776	-	-	123,776
Other	226,156	3,946	66,975	297,077
State sources	810,069	-	127	810,196
Federal sources	95,938	-	-	95,938
Total revenues	<u>2,065,301</u>	<u>85,813</u>	<u>281,671</u>	<u>2,432,785</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	784,329	-	2,486	786,815
Special instruction	397,659	-	-	397,659
Other instruction	97,362	-	54,221	151,583
	<u>1,279,350</u>	<u>-</u>	<u>56,707</u>	<u>1,336,057</u>
Support services:				
Student services	28,335	-	-	28,335
Instructional staff services	48,981	-	-	48,981
Administration services	301,298	-	33,052	334,350
Operation and maintenance of plant services	127,826	-	9,918	137,744
Transportation services	47,363	-	3,552	50,915
	<u>553,803</u>	<u>-</u>	<u>46,522</u>	<u>600,325</u>
Non-instructional programs		-	2,300	2,300
Other expenditures:				
Facilities acquisition	-	36,165	1,637	37,802
Long-term debt:				
Principal	-	-	60,575	60,575
Interest and fiscal charges	-	-	47,224	47,224
AEA flowthrough	66,447	-	-	66,447
	<u>66,447</u>	<u>36,165</u>	<u>109,436</u>	<u>212,048</u>
Total expenditures	<u>1,899,600</u>	<u>36,165</u>	<u>214,965</u>	<u>2,150,730</u>
Excess (deficiency) of revenues over (under) expenditures	<u>165,701</u>	<u>49,648</u>	<u>66,706</u>	<u>282,055</u>
Other financing sources (uses):				
Sales of materials and equipment	620	-	-	620
Operating transfers in	-	-	7,368	7,368
Operating transfers out	-	-	(7,368)	(7,368)
Total other financing sources (uses)	<u>620</u>	<u>-</u>	<u>-</u>	<u>620</u>
Net change in fund balances	166,321	49,648	66,706	282,675
Fund balances beginning of year	27,101	253,397	148,531	429,029
Fund balances end of year	<u>193,422</u>	<u>303,045</u>	<u>215,237</u>	<u>711,704</u>

## WHITING 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

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		282,675
<b><i>Amounts reported for governmental activities in the Statement of Activities are different because:</i></b>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the year as follows:		
Expenditures for capital assets	-	
Depreciation expense	<u>(59,211)</u>	(59,211)
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.		
		(2,600)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		60,575
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		
		231
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	(5,328)	
Compensated absences	<u>404</u>	<u>(4,924)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>276,746</u></u>

## WHITING COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2005

	<u>Nonmajor School Nutrition</u>
	\$
<b>Assets</b>	
Cash and cash equivalents	17,164
Accounts receivable	25
Inventories	1,005
Capital assets, net of accumulated depreciation	<u>4,360</u>
<b>Total assets</b>	<u>22,554</u>
<b>Liabilities</b>	
Salaries and benefits payable	8,304
Deferred revenue	<u>762</u>
<b>Total liabilities</b>	<u>9,066</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	4,360
Unrestricted	<u>9,128</u>
<b>Total net assets</b>	<u><u>13,488</u></u>

## WHITING COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>47,843</u>
Operating expenses:	
Non-instructional programs:	
Salaries	32,676
Benefits	20,501
Purchased services	1,108
Supplies	48,666
Depreciation	980
Other	178
	<u>104,109</u>
Operating gain (loss)	<u>(56,266)</u>
Non-operating revenue:	
State sources	1,554
Federal sources	55,033
Interest income	203
Total non-operating revenue	<u>56,790</u>
Gain (loss) before contributed capital	524
Capital contributions	<u>2,300</u>
Change in net assets	2,824
Net assets beginning of year	<u>10,664</u>
Net assets end of year	<u><u>13,488</u></u>

## WHITING COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2005

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	47,934
Cash payments to employees for services	(48,476)
Cash payments to suppliers for goods or services	(43,326)
Net cash used by operating activities	<u>(43,868)</u>
Cash flows from non-capital financing activities:	
State grants received	1,554
Federal grants received	49,784
Net cash provided by non-capital financing activities	<u>51,338</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>203</u>
Net increase (decrease) in cash and cash equivalents	7,673
Cash and cash equivalents at beginning of year	<u>9,491</u>
Cash and cash equivalents at end of year	<u><u>17,164</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(56,266)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	5,249
Depreciation	980
Decrease (increase) in inventories	1,377
Decrease (increase) in accounts receivable	(25)
(Decrease) increase in salaries and benefits payable	4,701
(Decrease) increase in deferred revenue	<u>116</u>
Net cash used in operating activities	<u><u>(43,868)</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2005, the District received \$5,249 of federal commodities and \$2,300 of equipment purchased by the PPEL Fund.

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2005

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	2,935
<b>Liabilities</b>	
	<u>-</u>
<b>Net assets</b>	
Reserved for scholarships	<u><u>2,935</u></u>

WHITING COMMUNITY SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2005

	Private Purpose Trust Scholarship <u>          </u> \$
Additions:	
Local sources:	
Interest	41
Deductions:	
Support services:	
Scholarships awarded	<u>500</u>
Change in net assets	(459)
Net assets beginning of year	<u>3,394</u>
Net assets end of year	<u><u>2,935</u></u>

# WHITING COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2005

### 1. Summary of Significant Accounting Policies

Whiting 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 Whiting, Iowa and the predominately agricultural territory in a portion of Monona County. 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, Whiting 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 Whiting 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 instructional, support and other costs.

The Capital Projects fund is used to account for all resources used in the acquisition and construction of capital facilities.

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 Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

### 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.

<u>Assets Class</u>	<u>Amount</u>
	\$
Land	500
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated_ Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Furniture and equipment	3-15 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.

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts 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.

At June 30, 2005, the District had no investments meeting the disclosure requirements of Governmental Accounting Standard Board Statement No. 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
		\$
	Nonmajor Funds:	
Capital Projects	Physical Plant and Equipment Levy Fund	20,324

The interfund receivable/payables are loans expected to be repaid in the next year.

### 4. Interfund Transfers

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

Transfer to	Transfer from	Amount
		\$
Special Revenue	Special Revenue	
Debt Service	Physical Plant and Equipment Levy Fund	7,368
Enterprise:	Special Revenue	
School Nutrition Fund	Physical Plant and Equipment Levy Fund	2,300

Physical Plant and Equipment Levy Fund to Debt Service is a lease payment. The transfer from the Physical Plant and Equipment Levy Fund to the School Nutrition Fund is for the purchase of equipment.

### 5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 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	71	-	-	-
2004-05B	1/28/05	1/27/06	288,832	3,876	288,000	4,225
2005-06A	6/30/05	6/30/06	416,838	89	415,000	60
Total			<u>705,741</u>	<u>3,965</u>	<u>703,000</u>	<u>4,285</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant

proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	70,000	70,000	-

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

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2004-05A	3.000	2.463
2004-05B	3.500	2.280
2005-06A	4.000	3.903

## 6. 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
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	2,020,000	-	-	2,020,000
Improvements other than buildings	51,975	-	-	51,975
Furniture and equipment	265,548	-	-	265,548
Total capital assets being deprec.	2,337,523	-	-	2,337,523
Less accumulated depreciation for:				
Buildings	790,600	32,700	-	823,300
Improvements other than buildings	7,425	7,425	-	14,850
Furniture and equipment	183,980	19,086	-	203,066
Total accumulated depreciation	982,005	59,211	-	1,041,216
Total capital assets being depreciated, net	1,355,518	(59,211)	-	1,296,307
Governmental activities capital assets, net	1,365,518	(59,211)	-	1,306,307

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	15,034	2,300	-	17,334
Less accumulated depreciation	<u>11,994</u>	<u>980</u>	-	<u>12,974</u>
Business type activities capital assets, net	<u>3,040</u>	<u>1,320</u>	-	<u>4,360</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	5,928
Support Services:	
Administration services	5,000
Operation and maintenance of plant services	1,074
Transportation	<u>7,084</u>
	19,086
Unallocated depreciation	<u>40,125</u>
Total depreciation expense – governmental activities	<u>59,211</u>
Business type activities:	
Food services	<u>980</u>

## 7. 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
	\$	\$	\$	\$	\$
General obligation bonds	880,000	-	55,000	825,000	60,000
Capital leases	20,896	-	5,575	15,321	6,144
Early retirement	20,388	12,124	6,796	25,716	10,837
Compensated absences	<u>22,759</u>	<u>3,276</u>	<u>3,680</u>	<u>22,355</u>	<u>3,680</u>
Total	<u>944,043</u>	<u>15,400</u>	<u>71,051</u>	<u>888,392</u>	<u>80,661</u>

### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentive includes three years of continued health insurance coverage, with the District's liability set at the premium rate during the retiree's last year of employment.

## General Obligation Bonds Payable

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

<u>Year Ending</u> <u>June 30,</u>	<u>Bond Issue of June 1997</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2006	4.85	60,000	42,393	102,393
2007	4.90	60,000	39,483	99,483
2008	4.95	65,000	36,543	101,543
2009	5.00	65,000	33,325	98,325
2010	5.1	70,000	30,075	100,075
2011-2015	5.2-5.3	410,000	91,933	501,933
2016	5.4-5.5	95,000	5,130	100,130
		<u>825,000</u>	<u>278,882</u>	<u>1,103,882</u>

## Capital Leases

The District's capital lease indebtedness and related schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2005 are as follows:

	<u>Year Ending June 30,</u>	<u>Amount</u>
		<u>\$</u>
	2006	7,368
	2007	7,368
	2008	2,456
Minimum Lease Payments		<u>17,192</u>
Less Amount Representing Interest		<u>1,871</u>
Present Value of Minimum Lease Payments		<u>15,321</u>

## **8. Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual 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 \$66,877, \$68,557, and \$74,380 respectively, equal to the required contributions for each year.

## **9. Risk Management**

The District was a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$3.9 million. The District's share of this assessment was \$7,540 which is recorded as a liability as of June 30, 2005.

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

#### **10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$66,447 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.

REQUIRED SUPPLEMENTARY INFORMATION

WHITING 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	1,552,260	45,837	1,598,097	1,497,764	1,497,764	100,333
State sources	810,195	1,554	811,749	862,728	862,728	(50,979)
Federal sources	93,714	55,033	148,747	712,000	712,000	(563,253)
Total receipts	<u>2,456,169</u>	<u>102,424</u>	<u>2,558,593</u>	<u>3,072,492</u>	<u>3,072,492</u>	<u>(513,899)</u>
Disbursements:						
Instruction	1,380,199	-	1,380,199	1,581,676	1,581,676	201,477
Support services	529,414	-	529,414	540,000	540,000	10,586
Non-instructional programs	-	97,051	97,051	210,704	210,704	113,653
Other expenditures	191,724	-	191,724	989,934	989,934	798,210
Total disbursements	<u>2,101,337</u>	<u>97,051</u>	<u>2,198,388</u>	<u>3,322,314</u>	<u>3,322,314</u>	<u>1,123,926</u>
Excess (deficiency) of receipts over (under) disbursements	354,832	5,373	360,205	(249,822)	(249,822)	610,027
Other financing sources (uses) net	<u>(1,680)</u>	<u>2,300</u>	<u>620</u>	<u>7,000</u>	<u>7,000</u>	<u>(6,380)</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disburseme	353,152	7,673	360,825	(242,822)	(242,822)	603,647
Balance beginning of year	<u>519,193</u>	<u>9,491</u>	<u>528,684</u>	<u>365,870</u>	<u>365,870</u>	<u>162,814</u>
Balance end of year	<u><u>872,345</u></u>	<u><u>17,164</u></u>	<u><u>889,509</u></u>	<u><u>123,048</u></u>	<u><u>123,048</u></u>	<u><u>766,461</u></u>

WHITING 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	2,456,169	(23,384)	2,432,785
Expenditures	2,101,337	49,393	2,150,730
Net	354,832	(72,777)	282,055
Other financing sources (uses) net	(1,680)	2,300	620
Beginning fund balances	519,193	(90,164)	429,029
Ending fund balances	872,345	(160,641)	711,704

  

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	\$	\$	\$
Revenues	102,424	2,209	104,633
Expenditures	97,051	7,058	104,109
Net	5,373	(4,849)	524
Beginning fund balances	9,491	1,173	10,664
Net adjustments	2,300	-	2,300
Ending fund balances	17,164	(3,676)	13,488

WHITING 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. During the year, the District did not amend the budget.

OTHER SUPPLEMENTARY INFORMATION

## WHITING COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2005

Assets	Special Revenue Funds				Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Debt Service	
	\$	\$	\$	\$	\$
Cash and pooled investments	31,253	26,326	161,857	11,770	231,206
Receivables:					
Property tax:					
Delinquent	977	-	1,342	2,036	4,355
Succeeding year	69,500	-	66,475	102,693	238,668
<b>Total assets</b>	<u>101,730</u>	<u>26,326</u>	<u>229,674</u>	<u>116,499</u>	<u>474,229</u>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Interfund payables	-	-	20,324	-	20,324
Deferred revenue:					
Succeeding year property tax	69,500	-	66,475	102,693	238,668
Total liabilities	<u>69,500</u>	<u>-</u>	<u>86,799</u>	<u>102,693</u>	<u>258,992</u>
Fund balances:					
Reserved for debt service	-	-	-	13,806	13,806
Unreserved reported in:					
Special revenue funds	32,230	26,326	142,875	-	201,431
Total fund balances	<u>32,230</u>	<u>26,326</u>	<u>142,875</u>	<u>13,806</u>	<u>215,237</u>
<b>Total liabilities and fund balances</b>	<u>101,730</u>	<u>26,326</u>	<u>229,674</u>	<u>116,499</u>	<u>474,229</u>

## WHITING COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Special Revenue Funds				Total
	Management	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
		Equipment			
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	48,194	-	66,079	100,296	214,569
Other	772	63,769	2,241	193	66,975
State sources	29	-	39	59	127
Total revenues	<u>48,995</u>	<u>63,769</u>	<u>68,359</u>	<u>100,548</u>	<u>281,671</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	-	-	2,486	-	2,486
Other instruction	-	54,221	-	-	54,221
Support services:					
Administration services	33,052	-	-	-	33,052
Operation and maintenance of					
plant services	7,703	-	2,215	-	9,918
Transportation services	3,552	-	-	-	3,552
Non-instructional programs					
Other expenditures:					
Facilities acquisition	-	-	1,637	-	1,637
Long-term debt:					
Principal	-	-	-	60,575	60,575
Interest and fiscal charges	-	-	-	47,224	47,224
Total expenditures	<u>44,307</u>	<u>54,221</u>	<u>8,638</u>	<u>107,799</u>	<u>214,965</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,688</u>	<u>9,548</u>	<u>59,721</u>	<u>(7,251)</u>	<u>66,706</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	7,368	7,368
Operating transfers out	-	-	(7,368)	-	(7,368)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(7,368)</u>	<u>7,368</u>	<u>-</u>
Net change in fund balances	4,688	9,548	52,353	117	66,706
Fund balances beginning of year	<u>27,542</u>	<u>16,778</u>	<u>90,522</u>	<u>13,689</u>	<u>148,531</u>
Fund balances end of year	<u><u>32,230</u></u>	<u><u>26,326</u></u>	<u><u>142,875</u></u>	<u><u>13,806</u></u>	<u><u>215,237</u></u>

## WHITING COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Class of 2002	622	-	622	-
Class of 2005	436	175	529	82
Class of 2006	510	3,047	3,300	257
Class of 2007	460	340	-	800
Class of 2008	315	200	-	515
Class of 2009	130	92	33	189
Class of 2010	85	85	-	170
Class of 2011	-	95	-	95
Unallocated interest	4,619	312	-	4,931
Music parents	6,714	5,975	4,461	8,228
Band fund raiser	(17)	265	178	70
Athletics	7,972	49,888	43,806	14,054
Cheerleaders	374	599	300	673
National honor society	196	579	527	248
Annual	(5,638)	2,117	465	(3,986)
	<u>16,778</u>	<u>63,769</u>	<u>54,221</u>	<u>26,326</u>
Total	<u>16,778</u>	<u>63,769</u>	<u>54,221</u>	<u>26,326</u>

## WHITING 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	1,105,798	1,259,856	949,151	980,113
Tuition	123,776	118,101	101,489	109,828
Other	297,077	294,508	246,466	172,305
State sources	810,196	670,788	912,566	865,169
Federal sources	95,938	143,684	88,448	85,152
Total revenues	<u>2,432,785</u>	<u>2,486,937</u>	<u>2,298,120</u>	<u>2,212,567</u>
Expenditures:				
Instruction:				
Regular instruction	786,815	858,050	927,145	951,404
Special instruction	397,659	383,182	367,049	399,906
Other instruction	151,583	218,328	205,970	233,298
Support services:				
Student services	28,335	26,968	46,668	47,957
Instructional staff services	48,981	49,023	57,133	58,943
Administration services	334,350	287,704	318,051	266,940
Operation and maintenance of plant services	137,744	152,718	147,409	159,123
Transportation services	50,915	57,713	55,254	103,759
Central support services	-	-	-	903
Non-instructional programs	2,300	552	-	-
Other expenditures:				
Facilities acquisition	37,802	54,735	178,478	79,128
Long-term debt:				
Principal	60,575	55,059	53,110	50,000
Interest and other charges	47,224	50,016	51,860	52,358
AEA flowthrough	66,447	67,403	73,798	71,958
Total expenditures	<u>2,150,730</u>	<u>2,261,451</u>	<u>2,481,925</u>	<u>2,475,677</u>

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  
Whiting 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 Whiting 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 August 2, 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 Whiting 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 item 05-I-A is a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Whiting 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 Whiting Community School District and other parties to whom Whiting 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 Whiting 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

August 2, 2005

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Findings

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 procedures 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.

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

- 05-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- 05-II-B Certified Budget: Disbursements for the year ended June 30, 2005, did not exceed the amounts budgeted.
- 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: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
David Storm, Board Member	Employed by bank used by District	-

The Board member is an employee of the bank that handles the majority of the bank transactions for the District. The Board should be mindful of the potential for a conflict when the bank may indirectly benefit from Board action.

Recommendation: The District should consult legal counsel to determine the disposition of these matters.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

- 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 Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 05-II-H Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education on Line 1 of the Certified Enrollment Certification Form for September 2004, was overstated by 1 student. An open enrolled student was included in line 1.

Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

District Response: We will contact these departments.

Conclusion: Response accepted.

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

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

05-II-I 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.

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

05-II-K Financial Condition-The Student Activity Fund: The Student Activity Fund has one account with a deficit balance at June 30, 2005.

Recommendation: The District should continue to monitor this account and investigate alternatives to eliminate the deficit.

District Response: We are working on ways to eliminate this deficit.

Conclusion: Response accepted.

05-II-L Reclassification of Student Activity Fund Accounts: There are some accounts in the Student Activity Fund that may belong more appropriately in other funds.

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.

District Response: We will review the accounts and make any necessary adjustments.

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 improvement 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.