WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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Winfield-Mt. Union Community School District

Officials

Name	Title	Term Expires
	Board of Education (Before September 2004 Election)	
Gayle Olson	President	2005
Dave Nichols	Vice President (Resigned)	2004
Robin Therme	Board Member (Appointed Vice President)	2006
Paul Thompson	Board Member	2006
Keith Loyd	Board Member	2004
Jay Nelson	Board Member (Appointed)	2004
	Board of Education (After September 2004 Election)	
Gayle Olson	President	2005
Robin Therme	Vice President	2006
Paul Thompson	Board Member (Resigned)	2006
Karen Jennings	Board Member (Appointed)	2005
Keith Loyd	Board Member	2007
Karl Hester	Board Member	2007
	School Officials	
Lynn Ubben	Superintendent	2005
Carmen Benson	District Secretary/Treasurer and Business Manager	2005
Drew Bracken	Attorney	2005

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Winfield-Mount Union Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Winfield-Mount Union Community School District, Winfield-Mount Union, Iowa 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. 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, business-type activities, each major fund, and the aggregate remaining fund information of the Winfield-Mount Union 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 report dated August 31, 2005 on our consideration of the Winfield-Mount Union Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 12 and 33 through 35 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 Winfield-Mount Union 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 (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.

August 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Winfield-Mt. Union 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 $3,240,062 in fiscal 2004 to $3,235,792 in fiscal 2005, while General Fund expenditures decreased from $3,406,698 in fiscal 2004 to $3,357,380 in fiscal 2005. This resulted in a decrease in the District's General Fund balance from $929,749 in fiscal 2004 to a balance of $808,161 in fiscal 2005, a 13% decrease from the prior year.

- The decrease in General Fund revenues was attributable to a decrease in local tax and tuition revenues in fiscal 2005. Although expenses decreased from fiscal 2004 to fiscal 2005, the decrease was not offset enough by revenues. This caused the General fund to decrease $121,588 from last year's balance.

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 Winfield-Mt. Union 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 Winfield-Mt. Union 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 Winfield-Mt. Union 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.

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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
Winfield-Mt. Union Community School District Annual Financial Report

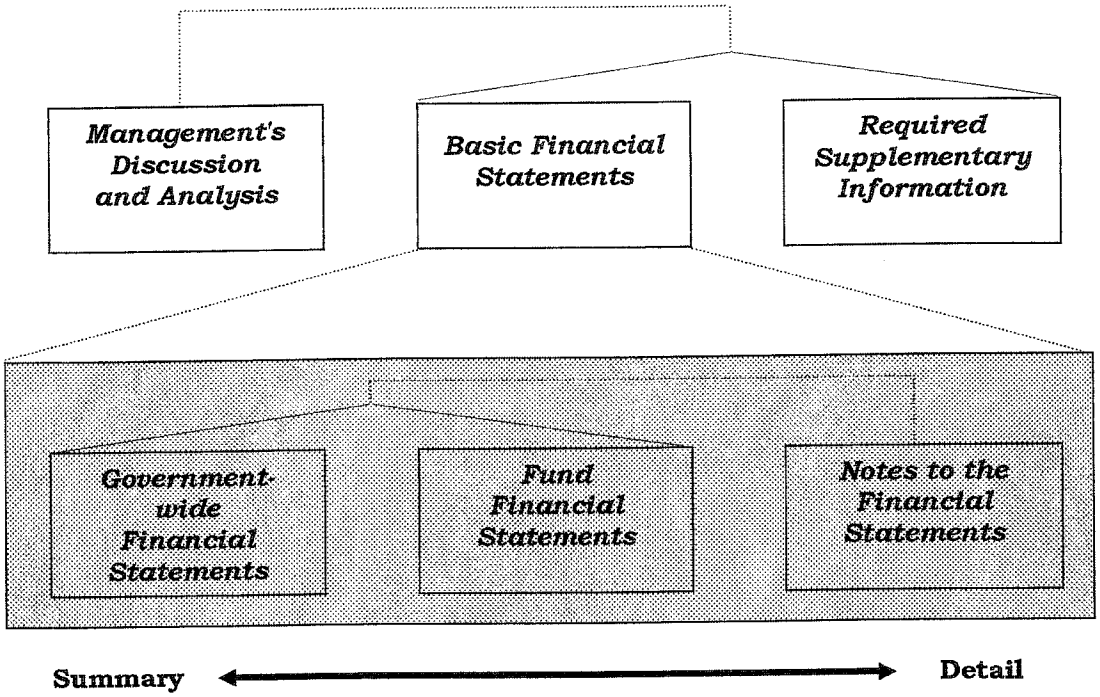

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, Capital Projects and Debt Service 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	$ 2,689,663	2,854,021	48,930	46,058	2,738,593	2,900,079	-5.6%
Capital assets	1,054,965	1,001,330	16,805	20,417	1,071,770	1,021,747	4.9%
Total assets	3,744,628	3,855,351	65,735	66,475	3,810,363	3,921,826	-2.8%
Long-term obligations	902,293	928,293	0	0	902,293	928,293	-2.8%
Other liabilities	1,557,751	1,509,610	1,892	1,338	1,559,643	1,510,948	3.2%
Total liabilities	2,460,044	2,437,903	1,892	1,338	2,461,936	2,439,241	0.9%
Net assets:							
Invested in capital assets, net of related debt	251,288	104,232	16,805	20,417	268,093	124,649	115.1%
Restricted	251,174	420,182	0	0	251,174	420,182	-40.2%
Unrestricted	782,122	893,034	47,038	44,720	829,160	937,754	-11.6%
Total net assets	$ 1,284,584	1,417,448	63,843	65,137	1,348,427	1,482,585	-9.0%

The District's combined net assets decreased by $134,158, or 9.0% 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 decreased approximately $169,008, or 40.2% 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 – decreased approximately $108,594, or 11.6%.

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	$ 850,183	823,373	75,448	76,564	925,631	899,937	2.9%
Operating grants and contributions and					0		
restricted interest	340,935	360,351	69,689	76,349	410,624	436,700	-6.0%
General revenues:					0		
Property tax	1,226,618	1,319,072	0	0	1,226,618	1,319,072	-7.0%
Local option sales and service tax	23,629	4,658	0	0	23,629	4,658	407.3%
Unrestricted state grants	1,192,064	1,199,566	0	0	1,192,064	1,199,566	-0.6%
Other	22,215	10,600	499	120	22,714	10,720	111.9%
Total revenues	3,655,644	3,717,620	145,636	153,033	3,801,280	3,870,653	-1.8%
Program expenses:							
Governmental activities:							
Instructional	2,537,957	2,600,846	0	0	2,537,957	2,600,846	-2.4%
Support services	1,041,309	961,312	0	0	1,041,309	961,312	8.3%
Non-instructional programs	0	0	146,930	145,796	146,930	145,796	0.8%
Other expenses	209,242	196,416	0	0	209,242	196,416	6.5%
Total expenses	3,788,508	3,758,574	146,930	145,796	3,935,438	3,904,370	0.8%
Changes in net assets	(132,864)	(40,954)	(1,294)	7,237	(134,158)	(33,717)	297.9%
Net assets beginning of year	1,417,448	1,458,402	65,137	57,900	1,482,585	1,516,302	-2.2%
Net assets end of year	$ 1,284,584	1,417,448	63,843	65,137	1,348,427	1,482,585	-9.0%

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were $3,655,644 and expenses were $3,788,508. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	$ 2,537,957	1,454,221
Support services	1,041,309	1,041,309
Other expenses	209,242	101,860
Totals	$ 3,788,508	2,597,390

- The cost financed by users of the District's programs was $850,183.
- Federal and state governments subsidized certain programs with grants and contributions totaling $340,935.
- The net cost of governmental activities was financed with $1,250,247 in local tax, $1,192,064 in unrestricted state grants, and $22,215 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were $145,636 and expenses were $146,930. 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 Winfield-Mt. Union 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 $1,138,473, below last year's ending fund balances of a $1,348,628. However, the primary reason for the decrease was the decrease of tax revenue in the Management, Physical Plant and Equipment Levy , and General Funds.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Reduction in tax levy during the year in tax and grants resulted in a decrease in revenues. The District's decrease in General Fund expenditures was not enough to offset the decrease in revenues, resulting in a decrease in the financial position of the District.
- The Management and Activity Fund combined balance decreased from $239,542 in 2004, to $195,317 in 2005, due to the decrease in revenues in both funds.
- The Physical Plant and Equipment Levy (PPEL) fund balance decreased from $152,218 to $85,381, due to a decrease in local tax and a increase in total expenditures for the year.
- The Capital Projects fund balance increased from $11,416 to $34,201 during the current year, due to increase in local option sales and service tax.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from $65,137 at June 30, 2004 to $63,843 at June 30, 2005, representing a decrease of approximately 2%. Fiscal 2005 revenues decreased from $153,033 to $145,636.

BUDGETARY HIGHLIGHTS

The District's revenues were $69,991 less than budgeted revenues, a variance of 2%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily due 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested $1,071,770 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 increase of 5.4% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was $105,828.

The original cost of the District's capital assets was $3,304,766. Governmental funds account for $3,168,807 million with the remainder of $135,959 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled $156,718 at June 30, 2005, compared to $119,035 reported at June 30, 2004. This increase resulted from purchases made during the year.

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	$ 32,263	32,263	0	0	32,263	32,263	0.0%
Buildings	534,090	555,536	0	0	534,090	555,536	-3.9%
Improvements other than buildings	348,699	314,913	0	0	348,699	314,913	10.7%
Machinery and equipment	139,913	98,618	16,805	20,417	156,718	119,035	31.7%
Total	$ 1,054,965	1,001,330	16,805	20,417	1,071,770	1,021,747	4.9%

Long-Term Debt

At June 30, 2005, the District had long-term debt outstanding of $902,293 in general obligation bonds, early retirement, and a bus lease. This represents a decrease of approximately 2.8% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds payable of $800,000 at June 30, 2005.

The District also had total outstanding early retirement payable of $4,383 at June 30, 2005 as well as $97,910 from a bus lease the District entered into during the year.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total
	2005	2004	Change
General obligation bonds	$ 800,000	920,000	-13.0%
Early retirement	4,383	8,293	-47.1%
Bus lease	97,910	0	100.0%
Total	$ 902,293	928,293	-2.8%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was not aware of any existing circumstances that could significantly affect its financial health in the future.

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 Carmen Benson, District Board Secretary, Winfield-Mt. Union Community School District, 208 S Olive, Winfield, Iowa, 52659.

BASIC FINANCIAL STATEMENTS

Exhibit A

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	$ 1,313,039	47,016	1,360,055
Receivables:			
Property tax:			
Delinquent	38,767	0	38,767
Succeeding year	1,275,628	0	1,275,628
Accounts	62,229	0	62,229
Inventories	0	1,914	1,914
Capital assets, net of accumulated depreciation (Note 4)	1,054,965	16,805	1,071,770
TOTAL ASSETS	3,744,628	65,735	3,810,363
LIABILITIES			
Accounts payable	19,791	0	19,791
Interest payable	6,561	0	6,561
Salaries and benefits payable	255,771	497	256,268
Deferred revenue:			
Succeeding year property tax	1,275,628	0	1,275,628
Other	0	1,395	1,395
Long-term liabilities (Note 5):			
Portion due within one year:			
General obligation bonds	125,000	0	125,000
Early retirement	4,280	0	4,280
Bus lease	25,145	0	25,145
Portion due after one year:			
General obligation bonds	675,000	0	675,000
Early retirement	103	0	103
Bus lease	72,765	0	72,765
TOTAL LIABILITIES	2,460,044	1,892	2,461,936
NET ASSETS			
Investment in capital assets, net of related debt	251,288	16,805	268,093
Restricted for:			
Talented and gifted	26,039	0	26,039
Capital projects	34,201	0	34,201
Management levy	105,285	0	105,285
Other special revenue purposes	85,649	0	85,649
Unrestricted	782,122	47,038	829,160
TOTAL NET ASSETS	$ 1,284,584	63,843	1,348,427

SEE NOTES TO FINANCIAL STATEMENTS.

WINFIELD-MT. UNION 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	$ 1,784,425	437,425	215,344
Special instruction	367,323	155,760	18,209
Other instruction	386,209	256,998	0
	2,537,957	850,183	233,553
Support services:			
Student services	83,592	0	0
Instructional staff services	100,837	0	0
Adminstration services	391,997	0	0
Operation and maintenance of plant services	221,355	0	0
Transportation services	243,528	0	0
	1,041,309	0	0
Other expenditures:			
Facilities acquisitions	22,263	0	0
Long-term debt interest	28,047	0	0
AEA flowthrough	107,382	0	107,382
Depreciation(unallocated)*	51,550	0	0
	209,242	0	107,382
Total governmental activities	3,788,508	850,183	340,935
Business-Type activities:			
Non-instructional programs:			
Nutrition services	146,930	75,448	69,689
Total business-type activities	146,930	75,448	69,689
Total	$ 3,935,438	925,631	410,624

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

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 FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,131,656)	0	(1,131,656)
(193,354)	0	(193,354)
(129,211)	0	(129,211)
(1,454,221)	0	(1,454,221)
(83,592)	0	(83,592)
(100,837)	0	(100,837)
(391,997)	0	(391,997)
(221,355)	0	(221,355)
(243,528)	0	(243,528)
(1,041,309)	0	(1,041,309)
(22,263)	0	(22,263)
(28,047)	0	(28,047)
0	0	0
(51,550)	0	(51,550)
(101,860)	0	(101,860)
(2,597,390)	0	(2,597,390)
0	(1,793)	(1,793)
0	(1,793)	(1,793)
(2,597,390)	(1,793)	(2,599,183)
996,440	0	996,440
144,940	0	144,940
85,238	0	85,238
23,629	0	23,629
1,192,064	0	1,192,064
22,215	499	22,714
2,464,526	499	2,465,025
(132,864)	(1,294)	(134,158)
1,417,448	65,137	1,482,585
1,284,584	63,843	1,348,427

Exhibit C

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Other Governmental Funds	Total
ASSETS			
Cash and pooled investments	$ 1,002,915	310,124	1,313,039
Receivables:			
Property tax			
Delinquent	18,579	20,188	38,767
Succeeding year	993,794	281,834	1,275,628
Accounts	62,229	0	62,229
TOTAL ASSETS	$ 2,077,517	612,146	2,689,663
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 19,791	0	19,791
Salaries and benefits payable	255,771	0	255,771
Deferred revenue:			
Succeeding year property tax	993,794	281,834	1,275,628
Total liabilities	1,269,356	281,834	1,551,190
Fund balances:			
Reserved for:			
Talanted and gifted	26,039	0	26,039
Unreserved:			
Undesignated	782,122	330,312	1,112,434
Total fund balances	808,161	330,312	1,138,473
TOTAL LIABILITIES AND FUND BALANCES	$ 2,077,517	612,146	2,689,663

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit D

WINFIELD-MT. UNION 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 16)	$ 1,138,473
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 report as assets in in the governmental funds.	1,054,965
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(6,561)
Long-term liabilities, including bonds payable, early retirement and bus leases are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(902,293)
Net assets of governmental activites (page 13)	$ 1,284,584

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit E

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Other Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	$ 996,440	230,178	1,226,618
LOSST	0	23,629	23,629
Tuition	593,185	0	593,185
Other	81,258	166,045	247,303
State sources	1,421,093	0	1,421,093
Federal sources	143,816	0	143,816
Total revenues	3,235,792	419,852	3,655,644
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	1,601,332	171,988	1,773,320
Special instruction	365,738	0	365,738
Other instruction	386,019	0	386,019
	2,353,089	171,988	2,525,077
Support services:			
Student services	83,102	0	83,102
Instructional staff services	100,837	0	100,837
Administration services	371,530	18,849	390,379
Operation and maintenance of plant services	217,343	8,801	226,144
Transportation services	124,097	174,835	298,932
	896,909	202,485	1,099,394
Other expenditures:			
Facilities acquisitions	0	86,153	86,153
Long-term debt:			
Principal	0	153,376	153,376
Interest and fiscal charges	0	25,703	25,703
AEA flowthrough	107,382	0	107,382
	107,382	265,232	372,614
Total expenditures	3,357,380	639,705	3,997,085
Deficiency of revenues under expenditures	(121,588)	(219,853)	(341,441)
Other financing sources(uses):			
Transfers in	0	33,376	33,376
Transfers out	0	(33,376)	(33,376)
Bus lease	0	131,286	131,286
Total other financing sources(uses)	0	131,286	131,286
Net change in fund balances	(121,588)	(88,567)	(210,155)
Fund balance beginning of year	929,749	418,879	1,348,628
Fund balance end of year	$ 808,161	330,312	1,138,473

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit F

WINFIELD-MT. UNION 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 18)		$ (210,155)
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. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	$ 155,851	
Depreciation expense	(102,216)	53,635
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.		22,090
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.		(2,344)
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 fund.		
Early retirement		3,910
Changes in net assets of governmental activities (page 15)		$ (132,864)

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit G

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

	School Nutrition
ASSETS	
Cash and cash equivalents	$ 47,016
Inventories	1,914
Capital assets, net of accumulated depreciation	16,805
TOTAL ASSETS	65,735
LIABILITIES	
Salaries and benefits payable	497
Deferred revenues	1,395
TOTAL LIABILITES	1,892
NET ASSETS	
Invested in capital assets, net of related debt	16,805
Unrestricted	47,038
TOTAL NET ASSETS	$ 63,843

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit H

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Other local sources:	
Sale of lunches and breakfasts:	
Students	$ 61,438
Adults	4,600
A la carte	7,309
Miscellaneous	2,101
TOTAL OPERATING REVENUES	75,448
OPERATING EXPENSES:	
Food service operations:	
Salaries	45,545
Benefits	6,189
Services	1,617
Supplies	89,967
Depreciation	3,612
TOTAL OPERATING EXPENSES	146,930
OPERATING LOSS	(71,482)
NON-OPERATING REVENUES:	
Interest	499
State sources	2,255
Federal sources	67,434
TOTAL NON-OPERATING REVENUES	70,188
Net loss	(1,294)
Net assets at beginning of year	65,137
Net assets end of year	$ 63,843

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit I

WINFIELD-MT. UNION 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	$ 73,404
Cash received from miscellaneous operating activities	2,101
Cash payments to employees for services	(51,237)
Cash payments to suppliers for goods or services	(81,260)
Net cash used in operating activities	(56,992)
Cash flows from non-capital financing activities:	
State grants received	2,255
Federal grants received	58,858
Net cash provided by non-capital financing activities	61,113
Cash flows from investing activities:	
Interest on investments	499
Net cash provided by investing activities	499
Net increase in cash and cash equivalents	4,620
Cash and cash equivalents at beginning of year	42,396
Cash and cash equivalents at end of year	$ 47,016
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (71,482)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	8,576
Depreciation	3,612
Decrease in inventories	1,748
Increase in salaries and benefits payable	497
Increase in deferred revenue	57
Net cash used in operating activities	$ (56,992)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	$ 47,016

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at $8,576.

SEE NOTES TO FINANCIAL STATEMENTS.

(1) Summary of Significant Accounting Policies

The Winfield-Mt. Union Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Winfield and Mt. Union, Iowa, and the predominate agricultural territory in Des Moines, Henry, Louisa, and Washington 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, Winfield-Mt. Union Community School District has included all funds, organizations, account groups, 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 Winfield-Mt. Union 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 Des Moines, Henry, Louisa, and Washington County 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's proprietary funds is the 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 financial statements and the proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax

is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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	$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

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

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

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

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

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, expenditures exceeded the amount budgeted in the support services functional area.

(2) Cash and Pooled Investments

The District's deposits in bank 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 investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	$ 1,053,416

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 both 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	Physical Plant and Equipment Levy	$ 33,376

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

(4) 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	$ 32,263	0	0	32,263
Total capital assets not being depreciated	32,263	0	0	32,263
Capital assets being depreciated:				
Buildings	1,547,139	0	0	1,547,139
Land improvements	538,199	63,890	0	602,089
Machinery and equipment	895,355	91,961	0	987,316
Total capital assets being depreciated	2,980,693	155,851	0	3,136,544
Less accumulated depreciation for:				
Buildings	991,603	21,446	0	1,013,049
Land improvements	223,286	30,104	0	253,390
Machinery and equipment	796,737	50,666	0	847,403
Total accumulated depreciation	2,011,626	102,216	0	2,113,842
Total capital assets being depreciated, net	969,067	53,635	0	1,022,702
Governmental activities capital assets, net	$ 1,001,330	53,635	0	1,054,965

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	$ 135,959	0	0	135,959
Less accumulated depreciation	115,542	3,612	0	119,154
Business-type activities capital assets, net	$ 20,417	(3,612)	0	16,805

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	$ 24,564
Special	1,585
Other	2,029
Support services:	
Student	490
Administration	5,817
Operation and maintenance	3,285
Transportation	12,896
	50,666
Unallocated depreciation	51,550
Total governmental activities depreciation expense	$ 102,216
Business-type activities:	
Food services	$ 3,612

(5) 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	$ 920,000	0	120,000	800,000	125,000
Early retirement	8,293	0	3,910	4,383	4,383
Bus lease	0	131,286	33,376	97,910	25,145
Total	$ 928,293	131,286	157,286	902,293	154,528

Early Retirement

The District offers a voluntary early retirement plan to its full-time employees. Eligible employees must be at least age fifty-five and must have been employed by the District for a period of ten years. Employees must complete an application which is subject to approval by the Board of Education. Upon retirement, the licensed employee shall be eligible to continue participation in the school district's group insurance plan at the licensed employee's expense by meeting the requirements of the issuer. The board will pay the single premium for the employee up until the age of sixty-five, not to exceed $225 a month. The insurance coverage shall cease when the licensed employee reaches age sixty-five, secures other employment in which the employer provides insurance coverage, or dies. If dependent insurance coverage is carried, that coverage may continue beyond the employee's sixty-fifth birthday for a period of up to five years or until the dependant reaches age sixty-five. Early retirement benefits paid during the year ended June 30, 2005, totaled $3,910.

General Obligation

Details of the District's June 30, 2005 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue May 27, 1997 Principal	Interest	Total
2006	2.25 %	$ 125,000	22,902	147,902
2007	2.50	125,000	20,090	145,090
2008	3.00	130,000	16,965	146,965
2009	3.00	135,000	13,065	148,065
2010	3.13	140,000	9,015	149,015
2011	3.20	145,000	4,640	149,640
Total		$ 800,000	86,677	886,677

Bus Lease

During the year ended June 30, 2005, the District entered into a lease for four buses with Blue Bird Body Company. Lease payments will be made from the Physical Plant and Equipment Levy Fund during the life of the lease.

Details of the District's June 30, 2005 bus lease indebtedness is as follows:

Year Ending June 30,	Interest Rate	Lease dated February 23, 2005 Principal	Interest	Total
2006	5.75	25,145	8,231	33,376
2007	5.75	26,190	7,186	33,376
2008	5.75	46,575	6,097	52,672
Total		$ 97,910	21,514	119,424

(6) 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 payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were $119,912, $122,220, and $120,575, respectively, equal to the required contributions for each year.

(7) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. 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: dental, life, and long term disability.

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 continuing membership in the Association had their deficit recovery assessment included in their annual premium for the 2004-2005 and 2005-2006 plan years. The deficit recovery is equal to 2% of the annual premium. The total amount of the

deficit recoveries of current members is estimated to be $2.2 million. The District's share of this assessment was $524, of which $524 was paid with the 2004-2005 premiums and 2% of 2005-2006 premiums is a liability as of June 30, 2005 and will be paid with the 2005-2006 premiums. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2005 were $26,183.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

Winfield-Mount Union 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.

(8) 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 $107,382 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.

(9) Budget Overexpenditure

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

REQUIRED SUPPLEMENTAL INFORMATION

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	$ 2,090,735	75,947
State sources	1,421,093	2,255
Federal sources	143,816	67,434
Total revenues	3,655,644	145,636
Expenditures:		
Instruction	2,525,077	0
Support services	1,099,394	0
Non-instructional programs	0	146,930
Other expenditures	372,614	0
Total expenditures	3,997,085	146,930
Excess(deficiency) of revenues over(under) expenditures	(341,441)	(1,294)
Other financing sources, net	131,286	0
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(210,155)	(1,294)
Balance beginning of year	1,348,628	65,137
Balance end of year	$ 1,138,473	63,843

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance - Positive (Negative)
2,166,682	2,180,510	2,180,510	(13,828)
1,423,348	1,465,761	1,465,761	(42,413)
211,250	225,000	225,000	(13,750)
3,801,280	3,871,271	3,871,271	(69,991)
2,525,077	3,387,399	3,387,399	862,322
1,099,394	1,076,013	1,076,013	(23,381)
146,930	240,155	240,155	93,225
372,614	390,594	390,594	17,980
4,144,015	5,094,161	5,094,161	950,146
(342,735)	(1,222,890)	(1,222,890)	880,155
131,286	5,000	5,000	141,286
(211,449)	(1,217,890)	(1,217,890)	1,021,441
1,413,765	1,457,596	1,457,596	(43,831)
1,202,316	239,706	239,706	977,610

WINFIELD-MT. UNION 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 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 GAAP basis. Encumbrances are not recognized on the GAAP 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 functional areas 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 fund. The Code of Iowa also provides 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 SUPPLEMENTAL INFORMATION

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special Revenue Funds						
	Manage-ment	Physical Plant & Equipment Levy	Student Activity	Total Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
ASSETS							
Cash and pooled investments	$ 109,668	83,720	85,649	279,037	18,498	12,589	310,124
Receivables:							
Property tax:							
Current year delinquent	0	1,661	0	1,661	15,703	2,824	20,188
Succeeding year	65,000	28,531	0	93,531	0	188,303	281,834
TOTAL ASSETS	$ 174,668	113,912	85,649	374,229	34,201	203,716	612,146
LIABILITIES AND FUND EQUITY							
Liabilities:							
Deferred revenue:							
Succeeding year property tax	$ 65,000	28,531	0	93,531	0	188,303	281,834
	65,000	28,531	0	93,531	0	188,303	281,834
Fund equity:							
Fund balances:							
Reserved:							
Debt service	0	0	0	0	0	15,413	15,413
Unreserved:							
Undesignated	109,668	85,381	85,649	280,698	34,201	0	314,899
Total fund balances	109,668	85,381	85,649	280,698	34,201	15,413	330,312
TOTAL LIABILITIES AND FUND EQUITY	$ 174,668	113,912	85,649	374,229	34,201	203,716	612,146

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 2

WINFIELD-MT. UNION 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	Physical Plant & Equipment Levy	Student Activity	Special Revenue-Total	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	$ 0	85,238		85,238	0	144,940	230,178
LOSST	0	0	0	0	23,629	0	23,629
Other	19,422	1,410	144,740	165,572	0	473	166,045
TOTAL REVENUES	19,422	86,648	144,740	250,810	23,629	145,413	419,852
EXPENDITURES:							
Instruction:							
Regular instruction	32,492	0	139,496	171,988	0	0	171,988
	32,492	0	139,496	171,988	0	0	171,988
Support services:							
Administration services	18,849	0	0	18,849	0	0	18,849
Operation and maintenance of plant services	8,801	0	0	8,801	0	0	8,801
Transportation services	8,749	166,086	0	174,835	0	0	174,835
	36,399	166,086	0	202,485	0	0	202,485
Other expenditures:							
Facilities acquisition	0	85,309	0	85,309	844	0	86,153
Long-term debt:							
Principal	0	0	0	0	0	153,376	153,376
Interest and fiscal charges	0	0	0	0	0	25,703	25,703
TOTAL EXPENDITURES	68,891	251,395	139,496	459,782	844	179,079	639,705
Excess (deficiency) of revenues over (under) expenditures before other financing sources	(49,469)	(164,747)	5,244	(208,972)	22,785	(33,666)	(219,853)
Other financing sources(uses):							
Transfer in	0	0	0	0	0	33,376	33,376
Transfer out	0	(33,376)	0	(33,376)	0	0	(33,376)
Bus lease	0	131,286	0	131,286	0	0	131,286
Total other financing sources (uses)	0	97,910	0	97,910	0	33,376	131,286
Excess (deficiency) of revenues over (under) expenditures after other financing sources	(49,469)	(66,837)	5,244	(111,062)	22,785	(290)	(88,567)
Fund balance beginning of year	159,137	152,218	80,405	391,760	11,416	15,703	418,879
Fund balance end of year	$ 109,668	85,381	85,649	280,698	34,201	15,413	330,312

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINFIELD-MT. UNION 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
Activity passes	2,843	6,943	9,554	232
Big red pride	0	611	0	611
Fruit fundraiser	2,512	10,529	13,041	0
HS football gate	6,110	5,712	5,470	6,352
HS basketball	10,425	14,200	11,963	12,662
HS track	293	2,811	2,675	429
HS cross country	110	440	519	31
HS wrestling	35	240	275	0
HS baseball	930	4,785	6,942	(1,227)
HS softball	1,074	4,480	2,572	2,982
HS volleyball	839	3,212	3,580	471
HS golf	0	94	0	94
Cheerleaders - FB	851	0	615	236
Cheerleaders - BB	144	1,820	1,607	357
Drill team	1	0	0	1
JH boys basketball	1,636	846	539	1,943
JH girls basketball	1,970	860	540	2,290
JH volleyball	2,322	749	380	2,691
JH football	2,391	1,067	540	2,918
JH wrestling	398	0	0	398
JH baseball	866	704	905	665
JH softball	16	516	385	147
Drama	70	521	424	167
Pep club	583	2,091	2,099	575
Speech	69	320	321	68
Art club	0	290	290	0
School projects	0	2,631	0	2,631
Class of 2003	2,104	0	2,104	0
Class of 2004	462	0	462	0
Class of 2005	2,341	13,074	14,975	440
Class of 2006	1,266	8,219	7,273	2,212
Class of 2007	1,211	0	108	1,103
Class of 2008	346	0	26	320
Class of 2009	303	203	0	506
Class of 2010	0	143	0	143
Home economics	1,710	4,422	1,132	5,000
Yearbook	9,031	12,367	12,893	8,505
Honor society	131	0	55	76
Student council	4,021	9,059	5,680	7,400
Instrumental music	372	158	530	0
Band donations	100	0	100	0
Vocal music	1,200	3,015	3,136	1,079
Cafe concert	2,443	822	1,450	1,815
Marketing fundraiser	500	1,340	1,098	742
Tag in/out	0	1,540	1,539	1
Newsletter	0	279	0	279
Library book fair	1,763	2,409	2,707	1,465
Lemonade fundraiser	0	10,226	10,226	0
Big brothers/sisters	0	1,365	667	698
Fun for kids	1,417	0	0	1,417
Elementary misc. banking	3,233	3,725	1,758	5,200
Potato bar	0	463	255	208
Box tops for education	1,672	662	0	2,334
Elementary yearbook	1,086	486	375	1,197
High school misc. banking	4,213	2,913	3,550	3,576
Interest	474	1,378	1,706	146
Teacher grants/special projects	236	0	0	236
Teacher renaissance	2,282	0	455	1,827
Total	$ 80,405	144,740	139,496	85,649

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINFIELD-MT. UNION 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	$ 1,250,247	1,323,730	1,305,873	1,364,902
Tuition	593,185	605,739	621,168	542,293
Other	247,303	228,234	172,245	195,655
State sources	1,421,093	1,421,032	1,650,611	1,685,523
Federal sources	143,816	138,885	140,982	90,504
Total	$ 3,655,644	3,717,620	3,890,879	3,878,877
Expenditures:				
Instruction:				
Regular instruction	$ 1,773,320	1,588,181	1,638,414	1,389,493
Special instruction	365,738	634,612	597,647	524,951
Other instruction	386,019	359,414	330,480	317,582
Support services:				
Student services	83,102	83,543	51,677	107,170
Instructional staff services	100,837	77,740	78,533	106,567
Administration services	390,379	451,739	448,481	570,202
Operation and maintenance of plant services	226,144	225,627	239,867	224,964
Transportation services	298,932	111,562	92,661	94,767
Non-instructional:				
Community service and education operations	0	0	46,601	57,554
Other expenditures:				
Facilities acquisitions	86,153	5,241	20,963	95,839
Long Term Debt:				
Principal	153,376	120,000	115,000	100,000
Interest	25,703	28,003	46,616	58,230
AEA flow-through	107,382	110,599	120,109	119,494
Total	$ 3,997,085	3,796,261	3,827,049	3,766,813

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

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(a professional corporation)
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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
Winfield-Mount Union 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 Winfield-Mount Union 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 31, 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 Winfield-Mount Union 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 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 Winfield-Mount Union 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 Winfield-Mount Union Community School District and other parties to whom Winfield-Mount Union 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 Winfield-Mount Union Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

August 31, 2005

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

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. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared 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 Receipting Process – We noted during the audit for all funds that receipts were not written and given to the persons from whom money was received. Also, deposit slips contained no detail of where or whom the money came from.

Recommendation – The District should review receipting procedures to ensure there is proper documentation of the flow of money through the receipting process. The District should consider listing the checks included in deposits on the bank's deposit slips.

Response – Although detailed documentation is kept in the revenue files, we will also note this information on the bank deposit slips.

Conclusion – Response accepted.

I-C-05 Student Activity Fund - We noted during our audit that the Student Activity fund included a Box Tops and Potato Bar account.

Recommendation - The receipts and expenditures made from this account appear to be more appropriately accounted for in the General Fund. The District should review the transactions in this account and make the necessary transfers.

Response – Money earned in the Potato Bar account becomes part of that classes' account for their future expenses, for example class trips or prom, so we want it to be an activity account.

Conclusion – Response accepted.

WINFIELD-MT. UNION 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 have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

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 make sure school bus lease agreements are budgeted for accordingly in the future so that budgeted expenses will not be exceeded.

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 or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Peg Nelson, Aid and bus driver Spouse, Performed Bus Repairs	Repair work	$555
Susan Haight, Teacher Spouse owner of Haights Electric	Electrical work	$1,978
Paul Thompson, Assistant coach Board member	Coach	$2,180

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

In accordance with Chapter 279.7A of the Code of Iowa, the above transaction with Board member Thompson does not represent a conflict of interest.

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

II-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

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.