

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL
DISTRICT

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

June 30, 2005

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	14-15
Statement of Activities	B	16-17
Governmental Fund Financial Statements:		
Balance Sheet	C	18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	19
Statement of Revenues, Expenditures and Changes in Fund Balances	E	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	21
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	22
Statement of Revenues, Expenses, and Changes in Net Assets	H	23
Statement of Cash Flows	I	24
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	25
Notes to Financial Statements		26-34
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		36
Budget to GAAP Reconciliation		37
Notes to Required Supplementary Information - Budgetary Reporting		38
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	40
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	41
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	42
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	4	43
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	5	44
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		45-46
Schedule of Findings		47-50

Gary E. Horton CPA

PO Box 384

Clarion, IA 50525-0384

(515)532-6681 Phone

(515) 532-2405 Fax

BETCO@mchsi.com E-mail

Independent Auditor's Report

To the Board of Education of
Woden-Crystal Lake 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 Woden-Crystal Lake Community School District, Woden, 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 Woden-Crystal Lake 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 October 25, 2005, on our consideration of Woden-Crystal Lake 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 12 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management

regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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

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

October 25, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Woden-Crystal Lake 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 \$1,709,000 in fiscal 2004 to \$1,617,576 in fiscal 2005, while General Fund expenditures decreased from \$1,718,177 in fiscal 2004 to \$1,656,412 in fiscal 2005. The District's General Fund balance decreased from (\$147,582) in fiscal 2004 to \$(164,172) in fiscal 2005, an 11% decrease.
- The decrease in General Fund revenues was attributable to a decrease in state funding revenue in fiscal 2005. In response to the decreased revenues, the District also reduced expenditures by cutting staff.

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 Woden-Crystal Lake 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 Woden-Crystal Lake 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 Woden-Crystal Lake Community School District acts solely as an agent or custodian for the benefit of those outside of District 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.

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

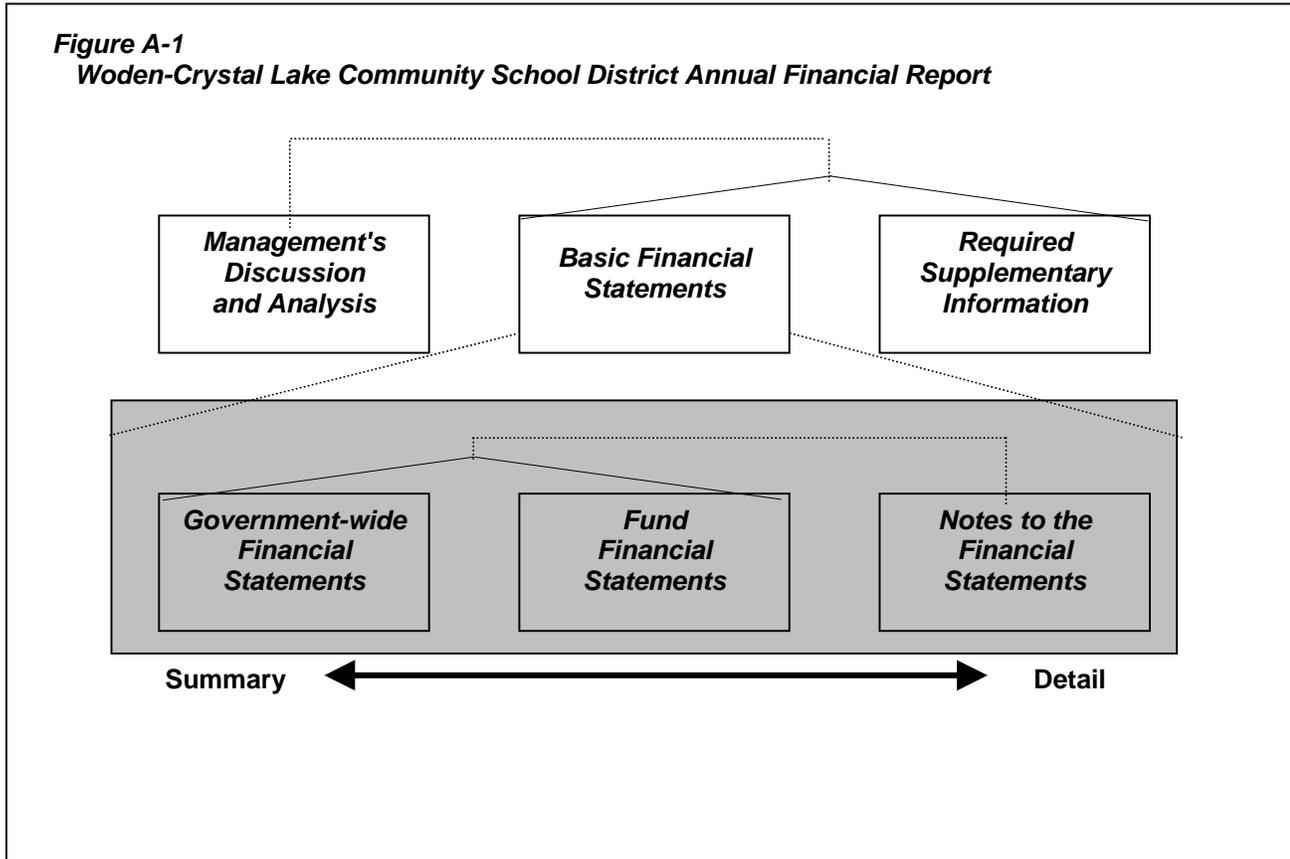


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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.

3. *Fiduciary Funds:* The District is the trustee, or fiduciary for assets that belong to others. This fund includes the Agency Fund.

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

The District is responsible for ensuring 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.

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 at June 30, 2005 compared to June 30, 2004.

Figure A-3

	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	1,537,130	1,657,902	(5,168)	(3,204)	1,531,962	1,654,698	-7%
Capital assets	913,986	884,109	5,591	6,455	919,577	890,564	3%
Total assets	2,451,116	2,542,011	423	3,251	2,451,539	2,545,262	-4%
Long-term liabilities	305,000	377,239	-	-	305,000	377,239	-19%
Other liabilities	1,454,134	1,578,966	4,414	5,531	1,458,548	1,584,497	-9%
Total liabilities	1,759,134	1,956,205	4,414	5,531	1,763,548	1,961,736	-10%
Net Assets:							
Invested in capital assets, net of related debt	608,986	511,978	5,591	6,455	614,577	518,433	19%
Restricted	176,177	147,721	-	-	176,177	147,721	19%
Unrestricted	(93,181)	(73,893)	(9,582)	(8,735)	(102,763)	(82,628)	-24%
TOTAL NET ASSETS	691,982	585,806	(3,991)	(2,280)	687,991	583,526	18%

The District's combined total net assets increased by nearly 18% or approximately \$104,465, 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 \$29,000 or 19% over the prior year. The increase was primarily a result of physical plant and equipment levy property taxes and local option sales taxes that were collected in the current year, but will be spent for equipment and capital improvements in a future 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 \$20,000, or 24%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

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

Figure A-4

	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	201,544	188,250	34,383	30,513	235,927	218,763	8%
Operating grants & contributions	218,352	238,038	28,689	28,775	247,041	266,813	-7%
Capital grants & contributions	10,045	9,615	-	-	10,045	9,615	4%
General Revenues:							
Property taxes	895,017	892,755	-	-	895,017	892,755	0%
Income Surtax	82,091	80,007			82,091	80,007	3%
Local option sales tax	64,428	49,007			64,428	49,007	31%
Unrestricted state grants	485,600	544,014	-	-	485,600	544,014	-11%
Unrestricted investment earnings	3,150	2,290	28	9	3,178	2,299	38%
Other revenue	11,187	9,231	-	-	11,187	9,231	21%
Total Revenues	1,971,414	2,013,207	63,100	59,297	2,034,514	2,072,504	-2%
Expenses:							
Instruction	1,242,499	1,229,742	0	0	1,242,499	1,229,742	1%
Support services	503,828	570,796	0	0	503,828	570,796	-12%
Non-instructional programs	0	0	70,311	72,056	70,311	72,056	-2%
Other expenditures	113,411	114,170	0	0	113,411	114,170	-1%
Total expenses	1,859,738	1,914,708	70,311	72,056	1,930,049	1,986,764	-3%
Change in net assets before Transfers	111,676	98,499	(7,211)	(12,759)	104,465	85,740	22%
Transfers	(5,500)	(2,100)	5,500	2,100	0	0	0%
CHANGE IN NET ASSETS	106,176	96,399	(1,711)	(10,659)	104,465	85,740	22%
Net assets beginning of year	585,806	489,407	(2,280)	8,379	583,526	497,786	17%
Net assets end of year	<u>691,982</u>	<u>585,806</u>	<u>(3,991)</u>	<u>(2,280)</u>	<u>687,991</u>	<u>583,526</u>	<u>18%</u>

Property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$1,971,414 and expenses were \$1,859,738. 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, non-instructional programs and other expenses.

Figure A-5

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	1,242,499	1,229,742	877,668	862,143
Support Services	503,828	570,796	500,508	565,526
Non-instructional Programs	-	-	-	-
Other Expenses	113,411	114,170	51,621	51,136
TOTAL	1,859,738	1,914,708	1,429,797	1,478,805

- The cost financed by users of the District's programs was \$201,544
- Federal and state governments subsidized certain programs with grants and contributions totaling \$228,397
- The net cost of governmental activities was financed with \$1,041,536 in property and other taxes and \$485,600 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$63,100 and expenses were \$70,311. 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, 2005, 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 use to keep the Hot Lunch program in the black due to the increase of expenses (food, salaries, insurance, subs, repair of old equipment in kitchen, etc.)

INDIVIDUAL FUND ANALYSIS

As previously noted, Woden-Crystal Lake 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 \$12,995, slightly above last year's ending fund balances of \$6,442.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Revenues were lower in 2005 due to reductions in state funding. The District cut expenditures, but still ended up with a \$16,560 net loss for the year.

- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$38,122 in fiscal 2004 to \$47,414 in fiscal 2005. The balance remaining in the PPEL Fund must be used for the purchase of equipment or for building and grounds repairs, improvements and construction.
- The Capital Projects fund balance increased from \$45,816 at June 30, 2004 to \$76,959 at June 30, 2005. This increase was the result of higher sales tax collections. The monies in the capital projects fund must be used to purchase equipment or for capital improvements.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$(2,280) at June 30, 2004 to \$(3,991) at June 30, 2005, representing a decrease of approximately 75%. For fiscal 2005, the District increased meal prices, resulting in the increase in net assets but due to the fact of declining enrollment; it was not enough to off set the expenses.

BUDGETARY HIGHLIGHTS

The District's receipts were \$61,221 less than budgeted receipts a variance of 3%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

It is the District's practice to budget expenditures at the authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and other expenditures functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$919,577 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 represents a net increase of 3% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$60,606.

During 2005 the District built a bus barn for \$30,000, spent \$20,000 for gym floor improvements, spent \$9,000 for stage lighting and completed the installation of an elevator at the high school at a total cost of \$110,000.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2004-2005
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Land	5,305	5,305	0	0	5,305	5,305	0%
Construction in progress	0	79,458	0	0	0	79,458	-100%
Buildings	828,187	690,894	0	0	828,187	690,894	20%
Improvements	21,035	26,236	0	0	21,035	26,236	-20%
Equipment & Furniture	59,459	82,216	5,591	6,455	65,050	88,671	-27%
TOTAL	913,986	884,109	5,591	6,455	919,577	890,564	3%

Long-Term Debt

At June 30, 2005, the District had \$305,000 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 19% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

**Figure A-7
Outstanding Long-Term Obligations**

	Total School District		Percentage
	2005	2004	Change 2004-2005
	\$	\$	
General Obligation Bonds	305,000	370,000	-10%
Capital Leases Equipment Loan	0	2,131	-100%
Early Retirement	0	5,108	-100%
	<u>305,000</u>	<u>377,239</u>	<u>-19%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- School financing is highly dependent upon student enrollment. The District's September 2005 enrollment decreased by six students. This drop in enrollment will decrease the District's funding for fiscal year 2007. Also expect a health insurance increase due to high claims by employees: teacher negotiations will make a difference in school financing,
- Although the District has experienced declining enrollment for the past three years, the District expects a slight increase in future enrollment due to a new housing development in progress within the District.
- Fiscal 2006 is the last year of a three-year contract with the Woden-Crystal Lake Education Teacher Association (SETA), The District will negotiate a new agreement during fiscal 2006. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

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 Connie Tegmeyer, School Board Secretary, Woden-Crystal Lake Community School District, 346 Howard, P.O. Box 135, Woden, Iowa 50484.

BASIC FINANCIAL STATEMENTS

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	501,853	-	501,853
Other	43,787	-	43,787
Receivables:			
Property tax:			
Delinquent	17,744	-	17,744
Succeeding year	868,948	-	868,948
Accounts	1,389	-	1,389
Accrued interest - ISCAP	3,304	-	3,304
Due from other governments	93,748	-	93,748
Interfund receivable/payable	6,357	(6,357)	-
Inventories	-	1,189	1,189
Capital assets, net of accumulated depreciation	913,986	5,591	919,577
Total assets	2,451,116	423	2,451,539
Liabilities			
Warrants issued in excess of bank balances	-	4,414	4,414
Accounts payable	75,742	-	75,742
Accrued interest payable	990	-	990
Deferred revenue:			
Succeeding year property tax	868,948	-	868,948
ISCAP warrants payable	500,000	-	500,000
ISCAP accrued interest payable	3,498	-	3,498
ISCAP premium	4,956	-	4,956
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	70,000	-	70,000
Portion due after one year:			
General obligation bonds payable	235,000	-	235,000
Total liabilities	1,759,134	4,414	1,763,548

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	608,986	5,591	614,577
Restricted for:			
Management levy	17,930	-	17,930
Physical plant and equipment levy	47,414	-	47,414
Other special revenue purposes	19,759	-	19,759
Local option sales tax capital projects	76,956	-	76,956
Debt service	14,118	-	14,118
Unrestricted	<u>(93,181)</u>	<u>(9,582)</u>	<u>(102,763)</u>
Total net assets	<u><u>691,982</u></u>	<u><u>(3,991)</u></u>	<u><u>687,991</u></u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>
Governmental activities:			
Instruction:			
Regular instruction	791,055	73,963	143,675
Special instruction	318,029	48,115	20,899
Other instruction	133,415	76,146	2,033
	<u>1,242,499</u>	<u>198,224</u>	<u>166,607</u>
Support services:			
Student services	33,282	-	-
Instructional staff services	29,070	-	-
Administration services	198,135	-	-
Operation and maintenance of plant services	165,137	3,320	-
Transportation services	78,204	-	-
	<u>503,828</u>	<u>3,320</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	10,840	-	-
Long-term debt interest	13,971	-	130
AEA flowthrough	51,615	-	51,615
Depreciation (unallocated)*	36,985	-	-
	<u>113,411</u>	<u>-</u>	<u>51,745</u>
Total governmental activities	1,859,738	201,544	218,352
Business type activities:			
Non-instructional programs:			
Food service operations	70,311	34,383	28,689
Total	<u>1,930,049</u>	<u>235,927</u>	<u>247,041</u>
General Revenues:			
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			

Change in net assets

Net assets beginning of year

Net assets end of year

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

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

Capital
Grants,
Contributions
and
Restricted
Interest

-
-

-

-

-

-

-

-

-

10,045

-

-

-

10,045

10,045

-

10,045

WODEN-CRYSTAL LAKE 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>
(573,417)	-	(573,417)
(249,015)	-	(249,015)
<u>(55,236)</u>	<u>-</u>	<u>(55,236)</u>
<u>(877,668)</u>	<u>-</u>	<u>(877,668)</u>
(33,282)	-	(33,282)
(29,070)	-	(29,070)
(198,135)	-	(198,135)
(161,817)	-	(161,817)
(78,204)	-	(78,204)
<u>(500,508)</u>	<u>-</u>	<u>(500,508)</u>
(795)	-	(795)
(13,841)	-	(13,841)
-	-	-
<u>(36,985)</u>	<u>-</u>	<u>(36,985)</u>
<u>(51,621)</u>	<u>-</u>	<u>(51,621)</u>
(1,429,797)	-	(1,429,797)
-	(7,239)	(7,239)
<u>(1,429,797)</u>	<u>(7,239)</u>	<u>(1,437,036)</u>
760,801	-	760,801
79,252	-	79,252
54,964	-	54,964
82,091	-	82,091
64,428	-	64,428
485,600	-	485,600
3,150	28	3,178
11,187	-	11,187
<u>1,541,473</u>	<u>28</u>	<u>1,541,501</u>
<u>(5,500)</u>	<u>5,500</u>	<u>-</u>
<u>1,535,973</u>	<u>5,528</u>	<u>1,541,501</u>
106,176	(1,711)	104,465
<u>585,806</u>	<u>(2,280)</u>	<u>583,526</u>
<u>691,982</u>	<u>(3,991)</u>	<u>687,991</u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2005

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Assets			
Cash and pooled investments:			
ISCAP	501,853	-	501,853
Other	-	43,787	43,787
Receivables:			
Property tax:			
Delinquent	14,494	3,250	17,744
Succeeding year	682,593	186,355	868,948
Accounts	1,200	189	1,389
Accrued interest - ISCAP	3,304	-	3,304
Interfund receivable/payable	6,357	120,758	127,115
Due from other governments	83,030	10,718	93,748
	<u>1,292,831</u>	<u>365,057</u>	<u>1,657,888</u>
Total assets	<u>1,292,831</u>	<u>365,057</u>	<u>1,657,888</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	74,207	1,535	75,742
Interfund payable	120,758	-	120,758
ISCAP warrants payable	500,000	-	500,000
ISCAP accrued interest payable	3,498	-	3,498
ISCAP premium	4,956	-	4,956
Deferred revenue:			
Succeeding year property tax	682,593	186,355	868,948
Other	70,991	-	70,991
Total liabilities	<u>1,457,003</u>	<u>187,890</u>	<u>1,644,893</u>
Fund balances:			
Reserved for:			
Debt service	-	15,108	15,108
Unreserved reported in:			
General fund	(164,172)	-	(164,172)
Special revenue funds	-	85,103	85,103
Capital projects funds	-	76,956	76,956
Total fund balances	<u>(164,172)</u>	<u>177,167</u>	<u>12,995</u>
	<u>1,292,831</u>	<u>365,057</u>	<u>1,657,888</u>
Total liabilities and fund balances	<u>1,292,831</u>	<u>365,057</u>	<u>1,657,888</u>

WODEN-CRYSTAL LAKE 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)	12,995
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	913,986
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	70,991
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	(990)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(305,000)</u>
Net assets of governmental activities (Exhibit A)	<u><u>691,982</u></u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	815,517	228,717	1,044,234
Tuition	85,940	-	85,940
Other	42,297	76,640	118,937
State sources	645,672	-	645,672
Federal sources	58,150	10,045	68,195
Total revenues	<u>1,647,576</u>	<u>315,402</u>	<u>1,962,978</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	776,714	11,201	787,915
Special instruction	318,029	-	318,029
Other instruction	52,205	78,420	130,625
	<u>1,146,948</u>	<u>89,621</u>	<u>1,236,569</u>
Support services:			
Student services	33,282	-	33,282
Instructional staff services	27,699	-	27,699
Administration services	186,010	7,660	193,670
Operation and maintenance of plant services	137,278	26,600	163,878
Transportation services	73,580	-	73,580
	<u>457,849</u>	<u>34,260</u>	<u>492,109</u>
Other expenditures:			
Facilities acquisition	-	100,459	100,459
Long-term debt:			
Principal	-	67,131	67,131
Interest and fiscal charges	-	14,176	14,176
AEA flowthrough	51,615	-	51,615
	<u>51,615</u>	<u>181,766</u>	<u>233,381</u>
Total expenditures	<u>1,656,412</u>	<u>305,647</u>	<u>1,962,059</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,836)</u>	<u>9,755</u>	<u>919</u>
Other financing sources (uses):			
Compensation for loss of fixed assets	-	11,134	11,134
Operating transfers in	-	2,254	2,254
Operating transfers out	(7,754)	-	(7,754)
Total other financing sources (uses)	<u>(7,754)</u>	<u>13,388</u>	<u>5,634</u>
Net change in fund balances	(16,590)	23,143	6,553
Fund balances beginning of year	<u>(147,582)</u>	<u>154,024</u>	<u>6,442</u>
Fund balances end of year	<u><u>(164,172)</u></u>	<u><u>177,167</u></u>	<u><u>12,995</u></u>

See notes to financial statements.

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		6,553
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year as follows:		
Expenditures for capital assets	89,619	
Depreciation expense	<u>(59,742)</u>	29,877
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.		(2,698)
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.		67,131
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.		205
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		<u>5,108</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>106,176</u></u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2005

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Inventories	1,189
Capital assets, net of accumulated depreciation	<u>5,591</u>
Total assets	<u>6,780</u>
Liabilities	
Warrants issued in excess of bank balance	4,414
Interfund payables	<u>6,357</u>
Total liabilities	<u>10,771</u>
Net assets	
Invested in capital assets, net of related debt	5,591
Unrestricted	<u>(9,582)</u>
Total net assets	<u><u>(3,991)</u></u>

WODEN-CRYSTAL LAKE 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>34,383</u>
Operating expenses:	
Non-instructional programs:	
Salaries	26,037
Benefits	13,195
Purchased services	589
Supplies	29,626
Depreciation	<u>864</u>
	<u>70,311</u>
Operating gain (loss)	<u>(35,928)</u>
Non-operating revenue:	
State sources	807
Federal sources	27,882
Interest income	28
Total non-operating revenue	<u>28,717</u>
Gain (loss) before transfers	(7,211)
Transfers in	<u>5,500</u>
Change in net assets	(1,711)
Net assets beginning of year	<u>(2,280)</u>
Net assets end of year	<u><u>(3,991)</u></u>

WODEN-CRYSTAL LAKE 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	34,383
Cash payments to employees for services	(44,763)
Cash payments to suppliers for goods or services	(23,607)
Net cash used by operating activities	<u>(33,987)</u>
Cash flows from non-capital financing activities:	
Transfers from other funds	5,500
State grants received	807
Federal grants received	21,971
Net cash provided by non-capital financing activities	<u>28,278</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>28</u>
Net increase (decrease) in cash and cash equivalents	(5,681)
Cash and cash equivalents at beginning of year	<u>1,267</u>
Cash and cash equivalents at end of year	<u><u>(4,414)</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(35,928)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	5,911
Depreciation	864
Decrease (increase) in inventories	697
(Decrease) increase in salaries and benefits payable	<u>(5,531)</u>
Net cash used in operating activities	<u><u>(33,987)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$5,911 of federal commodities.

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2005

	Agency - Crystal Lake Public Library
	<u>Library</u>
	\$
Assets	
Cash and pooled investments	12,741
Accounts receivable	32
Total assets	<u>12,773</u>
Liabilities	
Accounts payable	151
Due to other governments	<u>12,622</u>
Total liabilities	<u>12,773</u>
Net assets	<u><u>-</u></u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2005

	<u>Private Purpose Trust Scholarship</u>	
	\$	
	2004	2005
Additions:		
Local sources:		
Gifts and contributions		
Interest		
Total additions	-	-
Deductions:		
Support services:		
Scholarships awarded		
Change in net assets	-	-
Net assets beginning of year		
Net assets end of year	-	-

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

1. Summary of Significant Accounting Policies

Woden-Crystal Lake 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 Cities of Woden and Crystal Lake, Iowa and the predominately agricultural territory in a portion of Hancock and Winnebago 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, Woden-Crystal Lake 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 Woden-Crystal Lake 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 fund:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	3,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

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	20-40 years
Improvements other than buildings	10-30 years
Furniture and equipment	5-20 years

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

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

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

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

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

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

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

E. Budgeting and Budgetary Control

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

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

3. Interfund Receivables and Payables

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
Special Revenue, Management Fund	General Fund	8,193
Special Revenue, PPEL Fund	General Fund	46,327
Capital Projects Fund	General Fund	66,238
General Fund	Enterprise, School Nutrition Fund	6,357

The loan from the Management, PPEL and Capital Projects Funds to the General Fund are for cash flow. The loan from the General Fund to the School Nutrition Fund represents Nutrition Fund salaries that were paid from the General Fund, but not reimbursed at June 30, 2004. The loans are expected to be repaid during the upcoming year.

4. Interfund Transfers

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

Transfer to	Transfer from	Amount
		\$
Debt Service Fund	General Fund	2,254
Enterprise, School Nutrition Fund	General Fund	5,500

The transfer between the General Fund and the Debt Service Fund moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The transfer from the General Fund to the School Nutrition Fund subsidized operating expenses.

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	-	54	-	-
2004-05B	1/28/05	1/27/06	235,679	3,193	235,000	3,448
2005-06A	6/30/05	6/30/06	266,174	57	265,000	50
Total			<u>501,853</u>	<u>3,304</u>	<u>500,000</u>	<u>3,498</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
\$	\$	\$	\$
-	100,000	100,000	-

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
	%	%
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:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	79,458	-	79,458	-
Land	5,305	-	-	5,305
Total capital assets not being depr.	<u>84,763</u>	<u>-</u>	<u>79,458</u>	<u>5,305</u>
Capital assets being depreciated:				
Buildings	1,312,485	169,077	-	1,481,562
Improvements other than buildings	190,187	-	-	190,187
Furniture and equipment	504,136	-	-	504,136
Total capital assets being deprec.	<u>2,006,808</u>	<u>169,077</u>	<u>-</u>	<u>2,175,885</u>
Less accumulated depreciation for:				
Buildings	621,591	31,784	-	653,375
Improvements other than buildings	163,951	5,201	-	169,152
Furniture and equipment	421,920	22,757	-	444,677
Total accumulated depreciation	<u>1,207,462</u>	<u>59,742</u>	<u>-</u>	<u>1,267,204</u>
Total capital assets being depreciated, net	<u>799,346</u>	<u>109,335</u>	<u>-</u>	<u>908,681</u>
Governmental activities capital assets, net	<u>884,109</u>	<u>109,335</u>	<u>79,458</u>	<u>913,986</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	49,186	-	-	49,186
Less accumulated depreciation	<u>42,731</u>	<u>864</u>	<u>-</u>	<u>43,595</u>
Business type activities capital assets, net	<u>6,455</u>	<u>(864)</u>	<u>-</u>	<u>5,591</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	8,248
Other	2,790
Support Services:	
Instructional staff services	1,371
Administration services	4,465
Operation and maintenance of plant services	1,259
Transportation	4,624
	22,757
Unallocated depreciation	36,985
Total depreciation expense – governmental activities	59,742
Business type activities:	
Food services	864

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	370,000	-	65,000	305,000	70,000
Equipment loan	2,131	-	2,131	-	-
Early retirement	5,108	5,793	10,901	-	-
Total	377,239	5,793	78,032	305,000	70,000

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be between the ages fifty-five and sixty-two and must have completed ten years of service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on difference between the current salary and the BA step 4 on the salary schedule.

General Obligation Bonds Payable

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

Year Ending June 30,	November 1, 2001 Refunding Issue			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2006	3.50	70,000	11,875	81,875
2007	3.75	75,000	9,425	84,425
2008	4.00	75,000	6,612	81,612
2009	4.25	85,000	3,611	88,611
		305,000	31,523	336,523

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 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 \$50,006, \$46,010, and \$52,324 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 \$18,315 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 \$51,615 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.

11. Financial Condition

The General Fund has a \$164,172 unreserved fund deficit and the School Nutrition has a net assets deficit of \$3,991 at June 30, 2005.

12. Lease Commitment

The District entered into a five-year contract to lease copy machines in 2003. The remaining payments the District will make over the next three years are as follows:

Year Ended June 30	Lease Payment
	\$
2005	7,380
2006	7,380
2007	3,690

REQUIRED SUPPLEMENTARY INFORMATION

WODEN-CRYSTAL LAKE 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	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Fund Actual	Fund Actual		Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	1,264,064	34,411	1,298,475	1,356,113	1,356,113	(57,638)
State sources	652,426	807	653,233	658,368	658,368	(5,135)
Federal sources	58,615	27,882	86,497	84,953	84,953	1,544
Total receipts	<u>1,975,105</u>	<u>63,100</u>	<u>2,038,205</u>	<u>2,099,434</u>	<u>2,099,434</u>	<u>(61,229)</u>
Disbursements:						
Instruction	1,321,112	-	1,321,112	1,282,130	1,282,130	(38,982)
Support services	520,117	-	520,117	543,587	543,587	23,470
Non-instructional programs	-	74,281	74,281	100,391	100,391	26,110
Other expenditures	230,530	-	230,530	148,184	148,184	(82,346)
Total disbursements	<u>2,071,759</u>	<u>74,281</u>	<u>2,146,040</u>	<u>2,074,292</u>	<u>2,074,292</u>	<u>(71,748)</u>
Excess (deficiency) of receipts over (under) disbursements	(96,654)	(11,181)	(107,835)	25,142	25,142	(132,977)
Other financing sources (uses) net	<u>5,634</u>	<u>5,500</u>	<u>11,134</u>	<u>6,000</u>	<u>6,000</u>	<u>5,134</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	(91,020)	(5,681)	(96,701)	31,142	31,142	(127,843)
Balance beginning of year	<u>134,807</u>	<u>1,267</u>	<u>136,074</u>	<u>96,093</u>	<u>96,093</u>	<u>39,981</u>
Balance end of year	<u><u>43,787</u></u>	<u><u>(4,414)</u></u>	<u><u>39,373</u></u>	<u><u>127,235</u></u>	<u><u>127,235</u></u>	<u><u>(87,862)</u></u>

WODEN-CRYSTAL LAKE 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	1,975,105	(12,127)	1,962,978
Expenditures	2,071,759	(109,700)	1,962,059
Net	(96,654)	97,573	919
Other financing sources (uses) net	5,634	-	5,634
Beginning fund balances	134,807	(128,365)	6,442
Ending fund balances	<u>43,787</u>	<u>(30,792)</u>	<u>12,995</u>
	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	\$	\$	\$
Revenues	63,100	-	63,100
Expenditures	74,281	(3,970)	70,311
Net	(11,181)	3,970	(7,211)
Other financing sources (uses) net	5,500	-	5,500
Beginning fund balances	1,267	(3,547)	(2,280)
Ending fund balances	<u>(4,414)</u>	<u>423</u>	<u>(3,991)</u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

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

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

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

During the year ended June 30, 2005, disbursements in the instruction and other expenditures functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

Assets	Special Revenue Funds					Total
	Management	Student	Physical	Capital	Debt	
	Levy	Activity	Plant and	Projects	Service	
	\$	\$	Equipment	\$	\$	\$
	\$	\$	Levy	\$	\$	\$
Cash and pooled investments	9,142	21,105	-	-	13,540	43,787
Receivables:						
Property tax:						
Delinquent	595	-	1,087	-	1,568	3,250
Succeeding year	50,000	-	54,480	-	81,875	186,355
Accounts	-	189	-	-	-	189
Interfund receivable	8,193	-	46,327	66,238	-	120,758
Due from other governments	-	-	-	10,718	-	10,718
Total assets	67,930	21,294	101,894	76,956	96,983	365,057
Liabilities & Fund Balances						
Liabilities:						
Accounts payable	-	1,535	-	-	-	1,535
Deferred revenue:						
Succeeding year property tax	50,000	-	54,480	-	81,875	186,355
Total liabilities	50,000	1,535	54,480	-	81,875	187,890
Fund balances:						
Reserved for debt service	-	-	-	-	15,108	15,108
Unreserved reported in:						
Special revenue funds	17,930	19,759	47,414	-	-	85,103
Capital projects funds	-	-	-	76,956	-	76,956
Total fund balances	17,930	19,759	47,414	76,956	15,108	177,167
Total liabilities and fund balances	67,930	21,294	101,894	76,956	96,983	365,057

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Special Revenue Funds				
	Management	Student	Physical	Capital	Debt
	Levy	Activity	Plant and	Projects	Service
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	30,073	-	54,964	64,428	79,252
Other	44	76,146	44	276	130
Federal sources	-	-	10,045	-	-
Total revenues	<u>30,117</u>	<u>76,146</u>	<u>65,053</u>	<u>64,704</u>	<u>79,382</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	11,201	-	-	-	-
Other instruction	-	78,420	-	-	-
Support services:					
Administration services	7,660	-	-	-	-
Operation and maintenance of plant services	26,600	-	-	-	-
Other expenditures:					
Facilities acquisition	-	-	66,895	33,564	-
Long-term debt:					
Principal	-	-	-	-	67,131
Interest and fiscal charges	-	-	-	-	14,176
Total expenditures	<u>45,461</u>	<u>78,420</u>	<u>66,895</u>	<u>33,564</u>	<u>81,307</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,344)</u>	<u>(2,274)</u>	<u>(1,842)</u>	<u>31,140</u>	<u>(1,925)</u>
Other financing sources (uses):					
Compensation for loss of fixed assets	-	-	11,134	-	-
Operating transfers in	-	-	-	-	2,254
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>11,134</u>	<u>-</u>	<u>2,254</u>
Net change in fund balances	(15,344)	(2,274)	9,292	31,140	329
Fund balances beginning of year	<u>33,274</u>	<u>22,033</u>	<u>38,122</u>	<u>45,816</u>	<u>14,779</u>
Fund balances end of year	<u><u>17,930</u></u>	<u><u>19,759</u></u>	<u><u>47,414</u></u>	<u><u>76,956</u></u>	<u><u>15,108</u></u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

<u>Total</u>
\$

228,717
76,640
<u>10,045</u>
<u>315,402</u>

11,201
78,420

7,660

26,600

100,459

67,131

<u>14,176</u>

<u>305,647</u>

<u>9,755</u>

11,134

<u>2,254</u>

<u>13,388</u>

23,143

<u>154,024</u>

<u><u>177,167</u></u>

WODEN-CRYSTAL LAKE 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
	\$	\$	\$	\$
Interest	3,214	111	43	3,282
Designated fund balance	-	1,100	-	1,100
Student activities	1,970	871	832	2,009
Athletic resale	(718)	7,744	10,174	(3,148)
Athletics	10,481	18,159	21,147	7,493
Elementary music club	-	4,016	183	3,833
Flag team	(1,081)	598	3,050	(3,533)
Summer recreation	3,560	915	1,898	2,577
Cheerleaders	56	-	30	26
Music	5,103	5,816	7,251	3,668
Sound system	(5,349)	-	40	(5,389)
Student council	317	8,096	6,641	1,772
Honor society	141	-	197	(56)
Drama	1,415	6,512	7,081	846
Picture display	(545)	-	-	(545)
Class of 2002	(3)	-	-	(3)
Class of 2003	249	-	329	(80)
Class of 2004	1,066	-	-	1,066
Class of 2005	830	599	1,008	421
Class of 2007	1,337	3,152	2,643	1,846
Class of 2008	-	3,261	1,679	1,582
Designated	1,336	7,349	8,019	666
Designated	-	1,188	-	1,188
Christiansen scholarship	89	-	-	89
Annual	992	2,780	1,842	1,930
Annual 99-00	(23)	548	2,328	(1,803)
Annual 01-02	(1,232)	-	-	(1,232)
Annual 02-03	282	-	-	282
Annual 03-04	(2,145)	3,331	2,005	(819)
Stage curtain	691	-	-	691
Total	22,033	76,146	78,420	19,759

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund - City of Crystal Lake Public Library

Year ended June 30, 2005

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
Assets				
Cash	17,482	16,742	21,483	12,741
Accounts receivable	-	32	-	32
Total assets	<u>17,482</u>	<u>16,774</u>	<u>21,483</u>	<u>12,773</u>
Liabilities				
Accounts payable	206	151	206	151
Due to other governments	17,276	-	4,654	12,622
Total liabilities	<u>17,482</u>	<u>151</u>	<u>4,860</u>	<u>12,773</u>

WODEN-CRYSTAL LAKE 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	1,044,234	1,025,279	921,041	803,719
Tuition	85,940	96,848	109,311	157,971
Other	118,937	114,480	121,515	118,328
State sources	645,672	708,702	613,629	759,803
Federal sources	68,195	67,650	84,615	67,776
Total revenues	<u>1,962,978</u>	<u>2,012,959</u>	<u>1,850,111</u>	<u>1,907,597</u>
Expenditures:				
Instruction:				
Regular instruction	787,915	840,820	895,588	771,010
Special instruction	318,029	239,764	281,005	267,988
Other instruction	130,625	127,864	127,181	136,465
Support services:				
Student services	33,282	36,345	34,585	41,843
Instructional staff services	27,699	47,093	35,973	44,882
Administration services	193,670	216,073	225,597	231,958
Operation and maintenance of plant services	163,878	168,398	174,972	169,065
Transportation services	73,580	90,122	74,169	87,169
Central support services	-	-	-	1,185
Non-instructional programs				
Other expenditures:				
Facilities acquisition	100,459	40,095	45,545	-
Long-term debt:				
Principal	67,131	68,016	109,773	102,272
Interest and other charges	14,176	16,740	20,412	34,668
AEA flowthrough	51,615	53,419	55,541	58,261
Total expenditures	<u>1,962,059</u>	<u>1,944,749</u>	<u>2,080,341</u>	<u>1,946,766</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
Woden-Crystal Lake 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 Woden-Crystal Lake 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 October 25, 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 Woden-Crystal Lake 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 Woden-Crystal Lake 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 Woden-Crystal Lake Community School District and other parties to whom Woden-Crystal Lake 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 Woden-Crystal Lake 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

October 25, 2005

WODEN-CRYSTAL LAKE 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 preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises. The District does perform internal audit checks as a check against the limited number of personnel.

Conclusion: Response accepted.

WODEN-CRYSTAL LAKE 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, exceeded the amounts budgeted in the instruction and other expenditures functions.

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.

District Response: We will amend future budgets before disbursements exceed the budget.

Conclusion: Response accepted.

05-II-C Questionable Expenditures: During our testing of travel expenditures, we noted that the District reimbursed an employee for approximately \$13 of alcoholic beverages. Expenditures for alcoholic beverages may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation: The board should review its policy for travel and meal reimbursements and revise to specifically exclude alcohol.

District Response: We will review and revise our policy.

Conclusion: Response accepted.

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>
		\$
Wray Hallett, custodian, owner of J & W Countryside Upholstery	Upholstery	480

This transaction does not appear to represent a conflict of interest.

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. The Code of Iowa requires that board minutes and lists of bills approved by the board be published. We did not locate the publication for four board meetings. We also noted that the minutes were signed only by the board secretary.

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

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

Recommendation: Minutes should be published within two weeks of the meeting as required by the Code of Iowa and the board president should also sign the official minutes.

District Response: We will publish all minutes in the future and have the board president sign the minutes.

Conclusion: Response accepted.

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

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

05-II-J Certified Annual Report (CAR): The CAR was filed with the Department of Education by the due date. Adjustments to the financial statements, made after the CAR was filed, increased the General Fund ending fund balance by \$117,424. These changes will have a material effect on the calculation of unspent balance.

Recommendation: The District should contact the Iowa Department of Education about filing an amended CAR.

District Response: We will contact the Iowa Department of Education.

Conclusion: Response accepted.

05-II-K Financial Condition: The General Fund has an unreserved, undesignated fund deficit of \$164,172 and the School Nutrition Fund had a \$3,991 deficit net assets balance at June 30, 2005. The Student Activity Fund also has several accounts with deficit balances at June 30, 2005.

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

District Response: We are working on ways to eliminate these deficits.

Conclusion: Response accepted.

05-II-L Old Outstanding Checks: We noted that the District's bank reconciliations included approximately \$4,000 of old outstanding checks. Iowa Code Section 566 specifies that holders unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

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

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

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

Conclusion: Response accepted.

05-II-M Reclassification of Student Activity Fund Accounts: The Student Activity Fund is to be used to account for the District's extracurricular student activity program. Each transaction in the Student Activity Fund should be associated with a specific extracurricular activity, there should not be any miscellaneous accounts We noted three accounts in the Student Activity Fund titled designated and one miscellaneous student activity account. Also, the District is still carrying balances for classes that have graduated and for prior year yearbooks.

Recommendation: We recommend these accounts be eliminated.

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

Conclusion: Response accepted.

05-II-N Board Secretary Wages: We noted that the board secretary was being paid to attend board meetings, but there was not a provision in the employment contract for this payment.

Recommendation: All provisions for payment of school employees should be included in their employment contracts. This will help to protect the board and the employee from disagreements on the calculation of wages.

District Response: The board and administration were aware of and approved of the extra payment for board meetings. However, we will revise employment contracts to include all provisions for wages and salaries to be paid.

Conclusion: Response accepted.