WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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Woodward-Granger Community School District

Officials

Name	Title	Term Expires
	Board of Education (Before September 2004 election)	
Max Phillips	President	2005
Lance Kooiker	Vice President	2005
Jan Kaiser	Board Member	2004
Howard Schutt	Board Member	2004
Jane Sweeney	Board Member	2006
	Board of Education (After September 2004 election)	
Max Phillips	President	2005
Lance Kooiker	Vice President	2005
Jim Gibson	Board Member	2007
Howard Schutt	Board Member	2007
Jane Sweeney	Board Member	2006
	School Officials	
Pamela Armstrong	Superintendent(Interim) (July-August 2004)	2005
Don Riemenscheider	Superintendent(Interim) (September-June 2005)	2005
Debbie Barron	District Secretary/Treasurer and Business Manager	2005
Ahlers Law Firm	Attorney	2005

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Woodward-Granger Community School District:

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

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

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

In accordance with Government Auditing Standards, we have also issued our reports dated September 23, 2005 on our consideration of the Woodward-Granger Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 38 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Woodward-Granger 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 three years ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 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.

Nolte Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

September 23, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Woodward-Granger 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 increased from $6,172,903 in fiscal 2004 to $7,871,392 in fiscal 2005, while General Fund expenditures increased from $6,507,312 in fiscal 2004 to $7,621,498 in fiscal 2005. This resulted in an increase in the District's General Fund balance from a deficit $48,046 in fiscal 2004 to a positive $201,848 in fiscal 2005, a 520.11% increase from the prior year.

- The increase in General Fund revenues was attributable to an increase in property tax, tuition and state and federal grant revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits, increased heating and busing costs, as well as additional costs associated with the Woodward Academy.

- An increase in interest rates during the past fiscal year, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from $19,908 in fiscal year 2004 to $42,439 in fiscal year 2005.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Woodward-Granger 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 Woodward-Granger 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 Woodward-Granger Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
Woodward-Granger Community School District Annual Financial Report

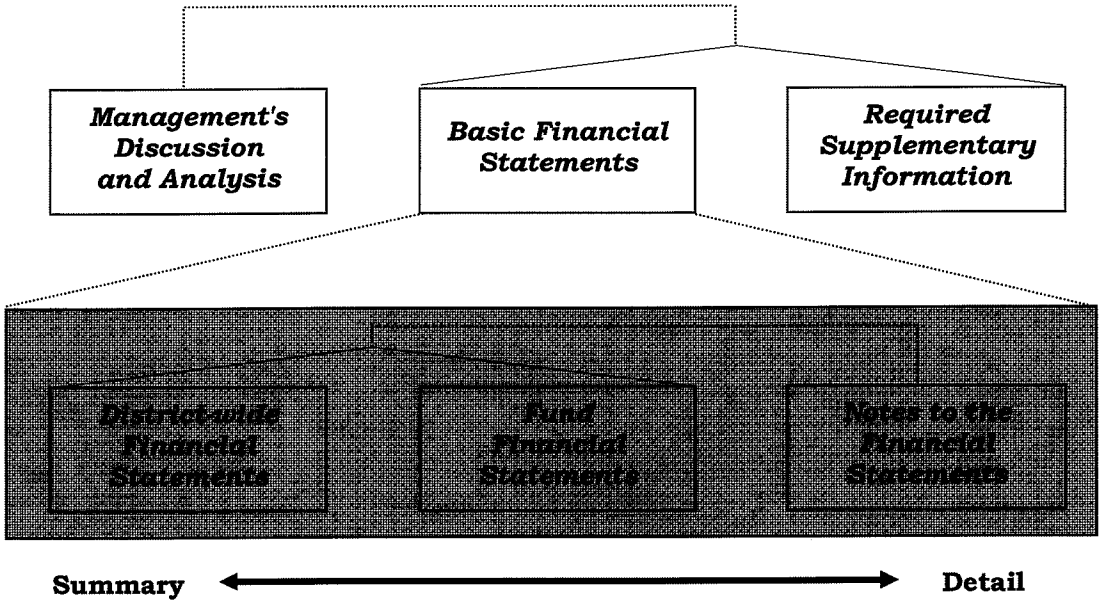

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Agency fund.

    - Agency Fund – These are funds for 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 that 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 District-wide financial statements because it cannot use these assets to finance its operations.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	$ 7,515,993	4,807,810	5,786	7,402	7,521,779	4,815,212	56.21%
Capital assets	4,997,188	3,378,756	13,554	12,070	5,010,742	3,390,826	47.77%
Total assets	12,513,181	8,186,566	19,340	19,472	12,532,521	8,206,038	52.72%
Long-term obligations	4,387,874	1,334,943	0	0	4,387,874	1,334,943	228.69%
Other liabilities	5,014,615	4,346,717	59,256	46,093	5,073,871	4,392,810	15.50%
Total liabilities	9,402,489	5,681,660	59,256	46,093	9,461,745	5,727,753	65.19%
Net assets:							
Invested in capital assets, net of related debt	1,679,152	2,272,029	13,554	12,070	1,692,706	2,284,099	-25.89%
Restricted	1,178,595	270,303	0	0	1,178,595	270,303	336.03%
Unrestricted	252,945	(37,426)	(53,470)	(38,691)	199,475	(76,117)	362.06%
Total net assets	$ 3,110,692	2,504,906	(39,916)	(26,621)	3,070,776	2,478,285	23.91%

The District's combined net assets increased by 23.91%, or $592,491, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased $908,292, or 336.03% over the prior year. The increase was primarily a result of increase in the Capital Projects Fund from the sale of bonds that is unspent on construction costs for the Woodward Elementary addition and renovation.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased $275,592, or 362.06%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance and a reduction in early retirement liabilities.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	$ 2,596,084	1,666,803	171,540	164,236	2,767,624	1,831,039	51.15%
Operating grants and contributions and restricted interest	769,495	770,879	61,478	59,239	830,973	830,118	0.10%
Capital grants and contributions and restricted interest	6,090	50,000	0	0	6,090	50,000	-87.82%
General revenues:							
Property tax	2,469,666	2,550,158	0	0	2,469,666	2,550,158	-3.16%
Local option sales and services tax	400,716	153,341	0	0	400,716	153,341	161.32%
Unrestricted state grants	2,630,494	2,035,647	0	0	2,630,494	2,035,647	29.22%
Other	122,127	36,358	0	0	122,127	36,358	235.90%
Total revenues	8,994,672	7,263,186	233,018	223,475	9,227,690	7,486,661	23.26%
Program expenses:							
Governmental activities:							
Instructional	6,028,775	4,912,406	0	0	6,028,775	4,912,406	22.73%
Support services	1,761,644	1,764,968	0	0	1,761,644	1,764,968	-0.19%
Non-instructional programs	0	0	249,963	198,093	249,963	198,093	26.18%
Other expenses	621,120	393,901	0	0	621,120	393,901	57.68%
Total expenses	8,411,539	7,071,275	249,963	198,093	8,661,502	7,269,368	19.15%
Changes in net assets before other financing sources	583,133	191,911	(16,945)	25,382	566,188	217,293	160.56%
Other financing sources, net	22,653	0	3,650	0	26,303	0	100.00%
Changes in net assets	605,786	191,911	(13,295)	25,382	592,491	217,293	172.67%
Beginning net assets	2,504,906	2,312,995	(26,621)	(52,003)	2,478,285	2,260,992	9.61%
Ending net assets	$ 3,110,692	2,504,906	(39,916)	(26,621)	3,070,776	2,478,285	23.91%

Property tax, local option sales and services tax and unrestricted state grants account for 60% of the District's total revenues. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues were in the charges for services, Property Tax and Local Option Sales and Services Tax monies. The charges for services increased due to the increase in tuition. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding will be ever fully realized with current law and funding structure as set by the legislature.

The most significant fluctuation in expenditure levels was caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements. Due to the increased participation in the Woodward Academy, the cost of operations increased for educating these students.

Governmental Activities

Revenues for governmental activities were $8,994,672 and expenses were $8,411,539.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	$ 6,028,775	2,856,198
Support services	1,761,644	1,761,644
Other expenses	621,120	422,028
Totals	$ 8,411,539	5,039,870

- The cost financed by users of the District's programs was $2,596,084.
- Federal and state governments subsidized certain programs with grants and contributions totaling $775,585.
- The net cost of governmental activities was financed with $2,469,666 in property tax, $400,716 in local option sales and services tax, $2,630,494 in state foundation aid, $92,327 in interest income and $29,800 in gain from compensation for loss of capital assets.

Business-Type Activities

Revenues of the District's business-type activities were $233,018 and expenses were $249,963. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Woodward-Granger Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of $2,302,273, above last year's ending fund balances of $245,709. However, the primary reason for the increase in combined fund balances in fiscal 2005 is due to the bond proceeds that were unspent at year-end, but will be spent in the next year to complete the construction on Woodward Elementary.

Governmental Fund Highlights

- The District's General Fund financial position improvement from a deficit $48,046 to a positive $201,848 is the product of many factors:
  - Increases in state and federal grants, tuition and tax levy revenues during the year resulted in an increase in revenues.
  - The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.

- The increase in revenues was greater than the increase in expenditures, resulting in a net increase of $249,894.

- The Capital Projects Fund balance increased from $113,477 in fiscal 2004 to $1,809,614 in fiscal 2005. During the year, the District issued general obligation bonds and revenue bonds to finance the construction renovations and addition at Woodward Elementary.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from a deficit $26,621 at June 30, 2004 to a deficit $39,916 at June 30, 2005, representing a decrease of 49.94%.

BUDGETARY HIGHLIGHTS

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

The District's revenues were $1,169,536 more than budgeted revenues, a variance of 15.32%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total disbursements were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget disbursements at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual disbursements for the year.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested $5.0 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was $310,138.

The original cost of the District's capital assets was $7.36 million. Governmental funds account for $7.31 million with the remainder of $0.05 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled $1,731,185 at June 30, 2005, compared to $0 reported at June 30, 2004. This increase resulted from the capital improvements paid by the District on the Woodward Elementary project, but not completed at year-end.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Land	$ 14,204	14,204	0	0	14,204	14,204	0.00%
Construction in progress	1,731,185	0	0	0	1,731,185	0	100.00%
Buildings	3,168,333	3,256,188	0	0	3,168,333	3,256,188	-2.77%
Machinery and equipment	83,466	108,364	13,554	12,070	97,020	120,434	-24.13%
Total	$ 4,997,188	3,378,756	13,554	12,070	5,010,742	3,390,826	32.33%

Long-Term Debt

At June 30, 2005, the District had $4,387,874 in general obligation and other long-term debt outstanding. This represents an increase of 228.7% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding General Obligation Bonds payable of $3,395,000 at June 30, 2005.

The District had total outstanding Revenue Bonds payable of $750,000 at June 30, 2005.

The District had total outstanding Capital Leases payable from the General and Capital Projects Fund of $78,646 at June 30, 2005.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of $159,036 at June 30, 2005.

The District had total outstanding Compensated Absences payable from the General Fund of $5,192 at June 30, 2005.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
General Obligation Bonds	$ 3,395,000	1,070,000	217.3%
Capital Loan Note	0	55,000	-100.0%
Revenue Bonds	750,000	0	100.0%
Computer Leases	78,646	0	100.0%
Early Retirement	159,036	208,146	-23.6%
Compensated Absences	5,192	1,797	188.9%
Totals	$ 4,387,874	1,334,943	228.7%

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:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

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 Debbie Barron, District Secretary/Treasurer, Woodward-Granger Community School District, 306 West 3rd Street, Woodward, Iowa, 50276.

BASIC FINANCIAL STATEMENTS

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 5)	$ 1,729,338	0	1,729,338
Other	2,578,102	4,209	2,582,311
Receivables:			
Property tax:			
Delinquent	26,819	0	26,819
Succeeding year	2,272,752	0	2,272,752
Income surtax	221,666	0	221,666
Interfund	34,155	0	34,155
Accounts	6,841	0	6,841
Accrued ISCAP interest(Note 5)	11,616	0	11,616
Due from other governments	634,704	0	634,704
Inventories	0	1,577	1,577
Capital assets, net of accumulated depreciation(Note 6)	4,997,188	13,554	5,010,742
TOTAL ASSETS	12,513,181	19,340	12,532,521
LIABILITIES			
Interfund payable	0	34,155	34,155
Accounts payable	372,788	0	372,788
Salaries and benefits payable	594,162	19,738	613,900
ISCAP warrants payable(Note 5)	1,723,000	0	1,723,000
ISCAP accrued interest payable(Note 5)	12,507	0	12,507
ISCAP unamortized premiums payable	16,845	0	16,845
Interest payable	12,805	0	12,805
ISEBA assessment payable(Note 10)	9,756	0	9,756
Deferred revenue:			
Succeeding year property tax	2,272,752	0	2,272,752
Other	0	5,363	5,363
Long-term liabilities(Note 7):			
Portion due within one year:			
General obligation bonds payable	215,000	0	215,000
Revenue bonds payable	65,000	0	65,000
Computer lease payable	38,866	0	38,866
Early retirement payable	28,969	0	28,969
Compensated absences	5,192	0	5,192
Portion due after one year:			
General obligation bonds payable	3,180,000	0	3,180,000
Revenue bonds payable	685,000	0	685,000
Computer lease payable	39,780	0	39,780
Early retirement payable	130,067	0	130,067
TOTAL LIABILITIES	9,402,489	59,256	9,461,745
NET ASSETS			
Investment in capital assets, net of related debt	1,679,152	13,554	1,692,706
Restricted for:			
Early intervention	10,979	0	10,979
Salary improvement program	1,349	0	1,349
Capital projects	987,039	0	987,039
Physical plant and equipment levy	52,644	0	52,644
Schoolhouse 67.5 levy	8,041	0	8,041
Other special revenue purposes	118,543	0	118,543
Unrestricted	252,945	(53,470)	199,475
TOTAL NET ASSETS	$ 3,110,692	(39,916)	3,070,776

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	$ 2,581,515	1,244,596	541,811	0
Special instruction	2,828,946	1,122,726	34,682	0
Other instruction	618,314	228,762	0	0
	6,028,775	2,596,084	576,493	0
Support services:				
Student services	215,590	0	0	0
Instructional staff services	182,376	0	0	0
Adminstration services	666,899	0	0	0
Operation and maintenance of plant services	422,995	0	0	0
Transportation services	273,784	0	0	0
	1,761,644	0	0	0
Other expenditures:				
Facilities acquisitions	0	0	0	6,090
Long-term debt interest	161,961	0	0	0
AEA flowthrough	193,002	0	193,002	0
Depreciation(unallocated)*	266,157	0	0	0
	621,120	0	193,002	6,090
Total governmental activities	8,411,539	2,596,084	769,495	6,090
Business-Type activities:				
Non-instructional programs:				
Nutrition services	249,963	171,540	61,478	0
Total business-type activities	249,963	171,540	61,478	0
Total	$ 8,661,502	2,767,624	830,973	6,090
General Revenues:				
Property tax levied for:				
General purposes				
Capital outlay				
Debt service				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Changes in net assets				
Other Financing Sources(Uses):				
Premium on bonds				
Cost of issuance				
Capital contributions				
Total other financing sources(uses)				
Changes in net assets				
Net assets beginning of year				
Net assets end of year				

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(795,108)	0	(795,108)
(1,671,538)	0	(1,671,538)
(389,552)	0	(389,552)
(2,856,198)	0	(2,856,198)
(215,590)	0	(215,590)
(182,376)	0	(182,376)
(666,899)	0	(666,899)
(422,995)	0	(422,995)
(273,784)	0	(273,784)
(1,761,644)	0	(1,761,644)
6,090	0	6,090
(161,961)	0	(161,961)
0	0	0
(266,157)	0	(266,157)
(422,028)	0	(422,028)
(5,039,870)	0	(5,039,870)
0	(16,945)	(16,945)
0	(16,945)	(16,945)
(5,039,870)	(16,945)	(5,056,815)
$ 2,129,385	0	2,129,385
102,261	0	102,261
238,020	0	238,020
400,716	0	400,716
2,630,494	0	2,630,494
92,327	0	92,327
29,800	0	29,800
5,623,003	0	5,623,003
583,133	(16,945)	566,188
66,678	0	66,678
(44,025)	0	(44,025)
0	3,650	3,650
22,653	3,650	26,303
605,786	(13,295)	592,491
2,504,906	(26,621)	2,478,285
$ 3,110,692	(39,916)	3,070,776

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP(Note 5)	$ 1,729,338	0	0	1,729,338
Other	556,910	1,742,936	278,256	2,578,102
Receivables:				
Property tax:				
Delinquent	21,086	0	5,733	26,819
Succeeding year	1,737,129	0	535,623	2,272,752
Income surtax	221,666	0	0	221,666
Interfund	34,155	0	9,109	43,264
Accounts	6,841	0	0	6,841
Accrued ISCAP interest(Note 5)	11,616	0	0	11,616
Due from other governments	561,204	73,500	0	634,704
TOTAL ASSETS	$ 4,879,945	1,816,436	828,721	7,525,102
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	$ 0	6,822	2,287	9,109
Accounts payable	372,788	0	0	372,788
Salaries and benefits payable	594,162	0	0	594,162
ISCAP warrants payable(Note 5)	1,723,000	0	0	1,723,000
ISCAP accrued interest payable(Note 5)	12,507	0	0	12,507
ISCAP unamortized premiums payable	16,845	0	0	16,845
Deferred revenue:				
Succeeding year property tax	1,737,129	0	535,623	2,272,752
Income surtax	221,666	0	0	221,666
Total liabilities	4,678,097	6,822	537,910	5,222,829
Fund balances:				
Reserved for:				
Debt service	0	0	88,761	88,761
Early intervention	10,979	0	0	10,979
Salary improvement program	1,349	0	0	1,349
Unreserved:				
Undesignated:				
General	189,520	0	0	189,520
Management levy	0	0	22,822	22,822
Physical plant and equipment levy	0	0	52,644	52,644
Schoolhouse 67.5 levy	0	0	8,041	8,041
Capital projects	0	1,809,614	0	1,809,614
Other special revenue purposes	0	0	118,543	118,543
Total fund balances	201,848	1,809,614	290,811	2,302,273
TOTAL LIABILITIES AND FUND BALANCES	$ 4,879,945	1,816,436	828,721	7,525,102

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit D

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total fund balances of governmental funds (page 17)	$	2,302,273
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		4,997,188
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		221,666
ISEBA assessment payable, is not yet due and payable in the current period due to the completion of a lawsuit settlement and, therefore, are not reported as liabilities in the governmental funds.		(9,756)
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as liability in the governmental funds.		(12,805)
Long-term liabilities, including general obligation bonds payable, capital loan notes payable, early retirement payable and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(4,387,874)
Net assets of governmental activites (page 14)	$	3,110,692

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit E

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	$ 1,993,546	400,716	472,227	2,866,489
Tuition	2,367,322	0	0	2,367,322
Other	110,535	48,817	161,737	321,089
State sources	3,034,280	0	0	3,034,280
Federal sources	365,709	0	6,090	371,799
Total revenues	7,871,392	449,533	640,054	8,960,979
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,492,078	0	0	2,492,078
Special instruction	2,832,695	0	0	2,832,695
Other instruction	454,546	0	163,768	618,314
	5,779,319	0	163,768	5,943,087
Support services:				
Student services	222,986	0	0	222,986
Instructional staff services	182,376	0	0	182,376
Administration services	639,567	0	48,714	688,281
Operation and maintenance of plant services	361,157	0	68,822	429,979
Transportation services	239,302	0	9,466	248,768
	1,645,388	0	127,002	1,772,390
Other expenditures:				
Facilities acquisitions	0	1,829,059	48,472	1,877,531
Long-term debt:				
Principal	0	0	304,313	304,313
Interest and fiscal charges	0	0	151,545	151,545
AEA flowthrough	193,002	0	0	193,002
	193,002	1,829,059	504,330	2,526,391
Total expenditures	7,617,709	1,829,059	795,100	10,241,868
Excess(deficiency) of revenues over(under) expenditures	253,683	(1,379,526)	(155,046)	(1,280,889)
Other financing sources(uses):				
Sale of bonds	0	3,285,000	0	3,285,000
Premium on bonds	0	66,678	0	66,678
Cost of issuance	0	(44,025)	0	(44,025)
Compensation for loss of capital assets	0	0	29,800	29,800
Transfers in	0	0	294,754	294,754
Transfers out	(3,789)	(231,990)	(58,975)	(294,754)
Total other financing sources(uses)	(3,789)	3,075,663	265,579	3,337,453
Net change in fund balances	249,894	1,696,137	110,533	2,056,564
Fund balance beginning of year	(48,046)	113,477	180,278	245,709
Fund balance end of year	$ 201,848	1,809,614	290,811	2,302,273

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit F

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2005

Net change in fund balances - total governmental funds (page 19)		$ 2,056,564
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	$ 1,926,404	
Depreciation expense	(307,972)	1,618,432
Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		3,893
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:		
Issued	$ (3,402,959)	
Repaid	304,313	(3,098,646)
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.		(10,416)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Early Retirement	$ 49,110	
Compensated Absences	(3,395)	
ISEBA Assessment	(9,756)	35,959
Changes in net assets of governmental activities (page 16)		$ 605,786

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit G

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

	School Nutrition
ASSETS	
Cash and pooled investments	$ 4,209
Inventories	1,577
Capital assets, net of accumulated depreciation(Note 6)	13,554
TOTAL ASSETS	19,340
LIABILITIES	
Interfund payable	34,155
Salaries and benefits payable	19,738
Deferred revenue:	
Other	5,363
TOTAL LIABILITIES	59,256
NET ASSETS	
Investment in capital assets	13,554
Unrestricted	(53,470)
TOTAL NET ASSETS	$ (39,916)

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit H

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	$ 171,540
TOTAL OPERATING REVENUES	171,540
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	64,423
Benefits	26,508
Services	3,933
Supplies	152,933
Depreciation	2,166
TOTAL OPERATING EXPENSES	249,963
OPERATING LOSS	(78,423)
NON-OPERATING REVENUES:	
State sources	2,916
Federal sources	58,562
TOTAL NON-OPERATING REVENUES	61,478
Change in net assets before capital contributions	(16,945)
OTHER FINANCING SOURCES:	
Capital contributions	3,650
Change in net assets	(13,295)
Net assets beginning of year	(26,621)
Net assets end of year	$ (39,916)

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit I

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	$ 173,216
Cash received from miscellaneous operating activities	25
Cash payments to employees for services	(113,046)
Cash payments to suppliers for goods or services	(147,687)
Net cash used in operating activities	(87,492)
Cash flows from non-capital financing activities:	
Transfer from General Fund	34,155
State grants received	2,916
Federal grants received	48,893
Net cash provided by non-capital financing activities	85,964
Net decrease in cash and cash equivalents	(1,528)
Cash and cash equivalents at beginning of year	5,737
Cash and cash equivalents at end of year	$ 4,209
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (78,423)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	9,669
Depreciation	2,166
Decrease in inventories	88
Decrease in accounts payable	(578)
Decrease in salaries and benefits payable	(22,115)
Increase in deferred revenue	1,701
Net cash used in operating activities	$ (87,492)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	$ 4,209

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at $9,669.

During the year ended June 30, 2005, the District received capital contributions valued at $3,650 from the Special Revenue, Physical Plant and Equipment Levy Fund.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit J

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2005

	Agency
ASSETS	
Cash and pooled investments	$ 31,353
Accounts receivable	23,077
TOTAL ASSETS	$ 54,430
LIABILITIES	
Accounts payable	$ 51,015
Due to other groups	3,415
TOTAL LIABILITIES	$ 54,430

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

(1) Summary of Significant Accounting Policies

The Woodward-Granger Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Woodward and Granger, Iowa, and the predominate agricultural territory in Dallas, Polk, and Boone 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, Woodward-Granger 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 Woodward-Granger Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Dallas, Polk, and Boone Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

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

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 help by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result 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 the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board

Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a

1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

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

Asset Class	Amount
Land	$ 2,500
Buildings	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Machinery and equipment	5-12 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial

statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, expenditures in the instruction and non-instructional programs functional areas exceeded the amounts budgeted.

(2) Cash and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial

paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

	Amortized Cost
Diversified Portfolio	$ 1,608,933

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

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

(3) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Schoolhouse 67.5	$ 58,975
Debt Service	Capital Projects	231,990
Debt Service	General	3,789
Total		$ 294,754

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

(4) Interfund Receivables and Payables

At June 30, 2005 the interfund receivables and payables consisted of the following:

Receivable Fund	Payable Fund	Amount
Capital Projects	General Fund	$ 6,822
General Fund	Nutrition Fund	34,155
Debt Service	Schoolhouse 67.5	2,287
Total		$ 43,264

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a

semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05B	1/28/05	1/27/06	$ 843,431	11,427	841,000	12,338
2005-06A	6/28/05	6/28/06	885,907	189	882,000	169
Total			$ 1,729,338	11,616	1,723,000	12,507

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, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004-05A	$ 0	200,000	200,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.000%	2.463%
2004-05B	3.500%	3.232%
2005-06A	3.500%	3.903%

(6) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 14,204	0	0	14,204
Construction in progress	0	1,731,185	0	1,731,185
Total capital assets not being depreciated	14,204	1,731,185	0	1,745,389
Capital assets being depreciated:				
Buildings	5,144,999	175,352	60,000	5,260,351
Machinery and equipment	282,892	19,867	0	302,759
Total capital assets being depreciated	5,427,891	195,219	60,000	5,563,110
Less accumulated depreciation for:				
Buildings	1,888,811	263,207	60,000	2,092,018
Machinery and equipment	174,528	44,765	0	219,293
Total accumulated depreciation	2,063,339	307,972	60,000	2,311,311
Total capital assets being depreciated, net	3,364,552	(112,753)	0	3,251,799
Governmental activities capital assets, net	$ 3,378,756	1,618,432	0	4,997,188

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	$ 50,450	3,650	0	54,100
Less accumulated depreciation	38,380	2,166	0	40,546
Business-type activities capital assets, net	$ 12,070	1,484	0	13,554

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	$ 10,469
Support services:	
Operation and maintenance of plant	1,330
Transportation	30,016
	41,815
Unallocated depreciation	266,157
Total governmental activities depreciation expense	$ 307,972
Business-type activities:	
Food services	$ 2,166
Total business-type activities depreciation expense	$ 2,166

(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	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	$ 1,070,000	2,535,000	210,000	3,395,000	215,000
Capital Loan Note	55,000	0	55,000	0	0
Revenue Bonds	0	750,000	0	750,000	65,000
Computer Leases	0	117,959	39,313	78,646	38,866
Early Retirement	208,146	2,890	52,000	159,036	28,969
Compensated Absences	1,797	5,192	1,797	5,192	5,192
Total	$ 1,334,943	3,411,041	358,110	4,387,874	353,027

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of May 1, 2004 Interest Rates	Principal	Interest	Bond Issue of July 1, 2004 Interest Rates	Principal	Interest	Total Principal	Total Interest	Total
2006	1.60-1.80 %	$ 215,000	17,925	5.00 %	$ -	122,800	$ 215,000	140,725	355,725
2007	1.90-2.10	225,000	14,060	5.00	-	122,801	225,000	136,861	361,861
2008	2.30-2.50	225,000	9,278	5.00	-	122,800	225,000	132,078	357,078
2009	2.60-2.75	195,000	3,840	5.00	30,000	122,801	225,000	126,641	351,641
2010		-	-	5.00	120,000	121,301	120,000	121,301	241,301
2011-2015		-	-	4.125-5.00	685,000	511,688	685,000	511,688	1,196,688
2016-2020		-	-	4.250-5.00	860,000	382,008	860,000	382,008	1,242,008
2021-2024		-	-	5.00	840,000	65,500	840,000	65,500	905,500
Total		$ 860,000	45,103		$ 2,535,000	1,571,699	$ 3,395,000	1,616,802	5,011,802

Revenue Bonds Payable

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

Year Ending June 30,	Bond Issue dated June 1, 2005 Interest Rate	Principal	Interest	Total
2006	2.70 %	$ 65,000	13,934	78,934
2007	3.00	165,000	22,133	187,133
2008	3.15	165,000	17,182	182,182
2009	3.30	175,000	11,985	186,985
2010	3.45	180,000	6,210	186,210
Total		$ 750,000	71,444	821,444

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

a) $75,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.

b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.

c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Computer Leases Payable

During the year ended June 30, 2005, the District entered into two computer leases with Apple Computer, Inc. for computers and networking components. The networking components lease is payable from the General Fund and the remainder of the computer lease is payable from the Capital Projects, Local Option Sales and Services Tax Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2005 are as follows:

Year Ending June 30,	Computer Lease			Networking Components Lease			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2006	1.90 %	$ 35,589	1,348	7.50 %	$ 3,277	512	$ 38,866	1,860	40,726
2007	1.90	36,256	681	7.50	3,524	265	39,780	946	40,726
Total		$ 71,845	2,029		$ 6,801	777	$ 78,646	2,806	81,452

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 100% of a single plan health insurance coverage with the district's maximum expenditure not to exceed $4,000. The coverage terminates upon the employee reaching age 65 or upon the death of the employee, whichever is first. Early retirement benefits paid during the year ended June 30, 2005, totaled $52,000. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(8) Advance Refunding

On May 1, 2004, the District issued refunding bonds in the amount of $1,070,000 to advance refund $1,050,000 of outstanding general obligation bonds. The proceeds of the refunding issues have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have be certified to be sufficient to pay all principal and all interest on the new advance refunding bonds added to the appropriate financial statements and schedules. The District remains contingently liable in the remote possibility the account is unable to pay the refunded bonds. At June 30, 2005, $860,000 of such bonds are outstanding. Repayment of principal and interest for the year was $190,000 and $48,114.

(9) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were $205,816, $201,057 and $195,415 respectively, equal to the required contributions for each year.

(10) Risk Management

The Woodward-Granger Community School District was a member in the Iowa School Employees Benefits Association, 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 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 $1.95 million. The District's share of this assessment was $9,756 which is recorded as a liability as of June 30, 2005.

Woodward-Granger Community School District is exposed to various risks of loss related to torts; theft; damage to and

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

(11) 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 $193,002 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.

(12) Deficit Net Assets

The Enterprise - School Nutrition Fund had deficit net assets of $39,916 at June 30, 2005.

(13) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2005, disbursements in the instruction and non-instructional programs functional areas exceeded the amount budgeted.

(14) Construction Commitment

The District has entered into various general contracts totaling $2,757,383 for the renovations and additions of the Woodward Elementary. As of June 30, 2005, costs of $1,731,185 had been incurred against the contracts. The balance of $1,026,198 remaining at June 30, 2005 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	$ 5,201,420	173,241
State sources	3,034,281	2,916
Federal sources	332,939	58,562
Total receipts	8,568,640	234,719
Disbursements:		
Instruction	6,182,056	0
Support services	1,195,214	0
Non-instructional programs	0	228,548
Other expenditures	2,549,452	0
Total disbursements	9,926,722	228,548
Excess(deficiency) of receipts over(under) disbursements	(1,358,082)	6,171
Other financing sources, net	3,312,103	0
Excess(deficiency) of receipts and other financing sources over(under) disbursements	1,954,021	6,171
Balance beginning of year	658,236	(36,117)
Balance end of year	$ 2,612,257	(29,946)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance - Positive (Negative)
5,374,661	4,108,722	4,108,722	1,265,939
3,037,197	3,182,917	3,182,917	(145,720)
391,501	342,184	342,184	49,317
8,803,359	7,633,823	7,633,823	1,169,536
6,182,056	4,695,086	5,605,086	(576,970)
1,195,214	1,780,920	1,780,920	585,706
228,548	219,500	219,500	(9,048)
2,549,452	650,142	3,103,002	553,550
10,155,270	7,345,648	10,708,508	553,238
(1,351,911)	288,175	(3,074,685)	1,722,774
3,312,103	(58,575)	(58,575)	3,370,678
1,960,192	229,600	(3,133,260)	5,093,452
622,119	135,557	135,557	486,562
2,582,311	365,157	(2,997,703)	5,580,014

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

	Governmental Fund Types		
	Cash Basis	Accrual Adjust-ments	Accrual Basis
Revenues	$ 8,568,640	392,339	8,960,979
Expenditures	9,926,722	315,146	10,241,868
Net	(1,358,082)	77,193	(1,280,889)
Other financing sources, net	3,312,103	25,350	3,337,453
Beginning fund balances	658,236	(412,527)	245,709
Ending fund balances	$ 2,612,257	(309,984)	2,302,273

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjust-ments	Accrual Basis
Revenues	$ 234,719	(1,701)	233,018
Expenses	228,548	21,415	249,963
Net	6,171	(23,116)	(16,945)
Other financing sources, net	0	3,650	3,650
Beginning net assets	(36,117)	9,496	(26,621)
Ending net assets	$ (29,946)	(9,970)	(39,916)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by $3,362,860.

During the year ended June 30, 2005, expenditures in the instruction and non-instructional programs functional area exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special Revenue Funds							Total Other Nonmajor Governmental Funds
	Management	Student Activity	Schoolhouse 67.5	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds	Debt Service	
ASSETS								
Cash and pooled investments	$ 21,223	74,294	9,619	52,112	44,249	201,497	76,759	278,256
Receivables:								
Property tax:								
Current year delinquent	1,599	0	709	532	0	2,840	2,893	5,733
Succeeding year	135,000	0	0	44,896	0	179,896	355,727	535,623
Interfund	0	0	0	0	0	0	9,109	9,109
TOTAL ASSETS	$ 157,822	74,294	10,328	97,540	44,249	384,233	444,488	828,721
LIABILITIES AND FUND EQUITY								
Liabilities:								
Interfund payable	$ 0	0	2,287	0	0	2,287	0	2,287
Deferred revenue:								
Succeeding year property tax	135,000	0	0	44,896	0	179,896	355,727	535,623
	135,000	0	2,287	44,896	0	182,183	355,727	537,910
Fund equity:								
Fund balances:								
Reserved for debt service	0	0	0	0	0	0	88,761	88,761
Unreserved:								
Undesignated	22,822	74,294	8,041	52,644	44,249	202,050	0	202,050
Total fund balances	22,822	74,294	8,041	52,644	44,249	202,050	88,761	290,811
TOTAL LIABILITIES AND FUND EQUITY	$ 157,822	74,294	10,328	97,540	44,249	384,233	444,488	828,721

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds							Total Other Nonmajor Governmental Funds
	Manage-ment	Student Activity	School-house 67.5	Physical Plant and Equipment Levy	Expend-able Trust	Total Special Revenue Funds	Debt Service	
REVENUES:								
Local sources:								
Local tax	$ 131,946	0	58,187	44,074	0	234,207	238,020	472,227
Other	0	161,218	12	0	507	161,737	0	161,737
Federal sources	0	0	0	6,090	0	6,090	0	6,090
TOTAL REVENUES	131,946	161,218	58,199	50,164	507	402,034	238,020	640,054
EXPENDITURES:								
Current:								
Instruction:								
Other instruction	0	158,768	0	0	5,000	163,768	0	163,768
Support services:								
Administration services	48,714	0	0	0	0	48,714	0	48,714
Operation and maintenance of plant services	62,172	0	0	6,650	0	68,822	0	68,822
Student transportation	9,466	0	0	0	0	9,466	0	9,466
Other expenditures:								
Facilities acquisitions	0	0	0	48,472	0	48,472	0	48,472
Long-term debt:								
Principal	0	0	0	0	0	0	304,313	304,313
Interest and fiscal charges	0	0	0	0	0	0	151,545	151,545
TOTAL EXPENDITURES	120,352	158,768	0	55,122	5,000	339,242	455,858	795,100
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	11,594	2,450	58,199	(4,958)	(4,493)	62,792	(217,838)	(155,046)
OTHER FINANCING SOURCES(USES):								
Compensation for loss of capital assets	0	0	0	29,800	0	29,800	0	29,800
Transfer in	0	0	0	0	0	0	294,754	294,754
Transfer out	0	0	(58,975)	0	0	(58,975)	0	(58,975)
TOTAL OTHER FINANCING SOURCES(USES)	0	0	(58,975)	29,800	0	(29,175)	294,754	265,579
EXCESS(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES AND OTHER FINANCING USES	11,594	2,450	(776)	24,842	(4,493)	33,617	76,916	110,533
FUND BALANCE BEGINNING OF YEAR	11,228	71,844	8,817	27,802	48,742	168,433	11,845	180,278
FUND BALANCE END OF YEAR	$ 22,822	74,294	8,041	52,644	44,249	202,050	88,761	290,811

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 3

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

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletic Accounts:				
HS Athletics	$ 1,879	3,004	1,899	2,984
HS Concessions	141	0	0	141
JH Football	(300)	0	(300)	0
JH Volleyball	(350)	0	(350)	0
JH Boys Basketball	(450)	0	(450)	0
JH Girls' Basketball	(525)	0	(525)	0
JH Wrestling	(100)	0	(100)	0
JH Boys' Track	(153)	0	(153)	0
JH Girls' Track	(153)	0	(153)	0
JH Concessions	97	0	0	97
HS Girls' Volleyball	1,570	4,020	3,485	2,105
HS Girls' Basketball	2,408	4,196	3,953	2,651
HS Girls' Track	(470)	455	(15)	0
HS Girls' Softball	1,512	8,963	8,020	2,455
HS Track-Cross Country	(535)	0	(535)	0
HS Football	4,060	7,230	7,308	3,982
HS Boys' Basketball	2,947	5,187	4,210	3,924
HS Wrestling	391	3,188	2,004	1,575
HS Boys' Track	(615)	595	(20)	0
HS Golf	440	840	530	750
HS Baseball	264	3,903	2,649	1,518
Weightlifting	(29)	0	(29)	0
	12,029	41,581	31,428	22,182
Athletic Fundraiser:				
JH Boys' Basketball	129	600	600	129
JH Boys' Track	0	195	195	0
JH Football	253	360	360	253
JH Girls' Track	0	195	195	0
JH Girls' Basketball	440	1,011	1,694	(243)
JH Volleyball	209	410	410	209
JH Wresting	0	50	50	0
Baseball	2,695	1,298	1,290	2,703
Girls' and Boys' Golf	29	0	0	29
HS Boys' Track	223	0	381	(158)
HS Boys' Basketball	478	2,277	2,471	284
HS Cross Country	2	0	0	2
HS Football	983	6,072	5,800	1,255
HS Girls' Track	225	458	494	189
HS Girls' Basketball	1,192	4,348	3,249	2,291
HS Girls' Softball	100	0	0	100
HS Girls' Volleyball	3,851	2,990	3,715	3,126
Weightlifting	56	0	28	28
Wrestling HS	570	4,554	4,137	987
	11,435	24,818	25,069	11,184

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

Account	Balance Beginning of Year	Revenues	Expendi-tures	Balance End of Year
Activities Accounts:				
Petty Cash	75	0	0	75
Change	(400)	400	(400)	400
Yearbook	0	2,259	393	1,866
2003-04 Yearbook	5,386	759	5,836	309
2002-03 Yearbook	793	0	793	0
HS Cheerleaders	239	3,805	3,668	376
Grounds Beautification	341	0	0	341
Class of 2004	579	(579)	0	0
Class of 2005	3,232	1,484	4,314	402
Class of 2006	2,344	15,212	12,478	5,078
Class of 2007	131	9,340	4,977	4,494
Class of 2008	0	155	113	42
Concession Stand	1,444	0	0	1,444
Drama	1,875	1,627	365	3,137
Drama Club	256	0	0	256
Book Orders	0	2,391	2,420	(29)
Field Trips	0	4,198	4,373	(175)
Clearing	0	5,234	5,234	0
Art Fundraiser	951	7,462	6,964	1,449
Band and Chorus	2,214	19,760	17,262	4,712
Elementary Fundraiser	1,486	1,942	1,883	1,545
Flag Team Fundraiser	315	103	115	303
Interest	132	552	0	684
MS Student Council	4,823	2,158	4,087	2,894
MS Cheerleaders	196	113	121	188
Grandwood Fundraiser	620	1,578	3,244	(1,046)
TAG Fundraiser	210	0	0	210
Miscellaneous	405	0	40	365
Emergency Fund	512	0	0	512
HS Student Council	3,558	1,062	3,963	657
W-G Planners	215	15	0	230
Spanish Club	3,060	0	1,822	1,238
MS Science Fundraiser	0	684	774	(90)
Jazz Festival	1,625	5,616	5,550	1,691
Marketing Fundraiser	691	2,743	2,770	664
HS Dance Team	16	961	802	175
HS Fundraiser	765	775	0	1,540
MS Fundraiser	1,462	1,065	696	1,831
History Club	401	1,211	909	703
Washington DC Trip	6,271	0	4,912	1,359
Industrial Arts	2,157	734	1,793	1,098
	48,380	94,819	102,271	40,928
Total	$ 71,844	161,218	158,768	74,294

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 4

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND
YEAR ENDED JUNE 30, 2005

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Local Option Sales and Service Tax				
ASSETS				
Cash and pooled investments	$ 0	27,938	0	27,938
Accounts receivable	8,596	23,077	8,596	23,077
	$ 8,596	51,015	8,596	51,015
LIABILITIES				
Accounts payable	$ 0	51,015	0	51,015
Due to other groups	8,596	0	8,596	0
	$ 8,596	51,015	8,596	51,015
Teacher Pop				
Cash and pooled investments	$ 1,873	1,305	1,873	1,305
LIABILITIES				
Accounts payable	$ 70	0	70	0
Due to other groups	1,803	1,305	1,803	1,305
	$ 1,873	1,305	1,873	1,305
Scholarship				
Cash and pooled investments	$ 0	2,110	0	2,110
LIABILITIES				
Due to other groups	$ 0	2,110	0	2,110
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and pooled investments	$ 1,873	31,353	1,873	31,353
Accounts receivable	8,596	23,077	8,596	23,077
	$ 10,469	54,430	10,469	54,430
LIABILITIES				
Accounts payable	$ 70	51,015	70	51,015
Due to other groups	10,399	3,415	10,399	3,415
	$ 10,469	54,430	10,469	54,430

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	$ 2,866,489	2,485,726	2,185,352	1,884,332
Tuition	2,367,322	1,416,833	1,389,836	1,292,354
Other	321,089	271,143	297,421	365,365
State sources	3,034,280	2,512,232	2,633,980	2,668,856
Federal sources	371,799	344,294	284,470	201,329
Total	$ 8,960,979	7,030,228	6,791,059	6,412,236
Expenditures:				
Current:				
Instruction:				
Regular instruction	$ 2,492,078	2,537,706	2,357,986	2,500,950
Special instruction	2,832,695	1,930,535	1,806,257	1,675,244
Other instruction	618,314	416,418	428,947	414,246
Support services:				
Student services	222,986	214,108	229,148	185,611
Instructional staff services	182,376	157,706	230,269	225,250
Adminstration services	688,281	675,188	694,672	685,349
Operation and maintenance of plant services	429,979	472,061	373,353	361,264
Transportation services	248,768	203,210	185,966	333,294
Non-instructional programs	0	0	70	10,570
Other expenditures:				
Facilities acquisitions	1,877,531	199,688	94,283	72,967
Long-term debt:				
Principal	304,313	235,000	234,531	222,990
Interest and other charges	151,545	76,235	75,566	86,332
AEA flow-through	193,002	184,489	198,188	194,812
Total	$ 10,241,868	7,302,344	6,909,236	6,968,879

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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

To the Board of Education of the
Woodward-Granger 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 Woodward-Granger Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 23, 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 Woodward-Granger Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

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

Compliance and Other Matters

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

immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Woodward-Granger Community School District and other parties to whom Woodward-Granger Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Nolte Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

September 23, 2005

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-05 Gate Admissions - The gate admissions were not reconciled to pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued.

Response - We will review our procedures for collecting gate admissions.

Conclusion - Response accepted.

I-C-05 Student Activity Fund - We noted during our audit that the Student Activity fund included interest, change, petty cash and miscellaneous account.

Recommendation - The interest earned each year should be allocated at least on an annual basis to the individual activity accounts. The miscellaneous account should be closed and moved to a legitimate student run organization or moved to the General fund. The change and petty cash accounts should be closed and have the money taken out of the student activity account in which the funds are being used.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

I-D-05 Authorized Check Signatures - Checks written from all funds should have two signatures, the board secretary and board president. Also, one check written from the Student Activity account only had one signature.

Recommendation - The Board President and Board Secretary are to sign all checks written by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

I-E-05 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Old outstanding checks should be reviewed and reissued, voided if subsequently paid, and any remaining should be reported to the Iowa Treasury Department for the "Great Iowa Treasure Hunt."

Response - We will review and resolve the old outstanding checks.

Conclusion - Response accepted.

I-F-05 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - We are working on this.

Conclusion - Response accepted.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

II-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005 exceeded the amount budgeted in the instruction and non-instructional programs functional areas.

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

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

Conclusion - Response accepted.

II-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979. However, in 2004 the District overpaid certified staff $6,475.13 in salary and benefits. The overpayment did not appear to be authorized by the District. Details of the amount are shown by employee as follows:

BEVERIDGE, KARA	$ 69.79	JOHNSON, GAIL	65.29
BIRKLAND, ELLEN	65.32	KNOLMAYER, G	93.08
ANDERSON, AARON	65.29	LEVENHAGEN, M	86.58
BEVERIDGE, KEVIN	67.55	MCKINLEY, SCOTT	87.44
BUCHAN, JILL	63.03	MESSER, S	63.05
BURGUS, LARRY	85.45	MORPHEW, A	63.06
CAMPBELL, LYNNE	90.12	NELSON, LORI	137.09
CARLSON, LINDA	115.25	O'NEIL, RENA J.	105.08
CHAPMAN, SCOTT	67.50	PEEL, BRENNA	81.05
COKER, LISA	87.78	POLICH,K	85.52
CONNOLLY, ROSE	112.71	ROBINSON, R	63.03
DANILSON, KRISTI	65.34	SCHMIDT, CATHY	78.80
DANILSON, MIKE	133.94	SEACRY, SCOTT	2.05
DANILSON, JAN	101.30	SMITH, DEANNA	67.57
DANILSON, TERRI	103.63	SMYSER, ELLEN	114.03
DEHANN, K	158.66	SPELLMAN, JULIE	86.57
ELLIOTT, DAVID	98.79	TALLMAN, JILL	69.92
ERICKSON, DIANE	87.85	THIELE, KEVIN	86.29
FAVOR, NEVA	20.87	TRAINUM, JILL	86.09
FEILMEIER, MARK	67.62	WEDDELL-SCHUTT	99.28
FENSTER, DENNIS	39.53	BREUNING, JESSICA	64.57
FROST-BEOKELMAN, C	41.67	HENRY, ANNA	259.64
HALFERTY, DALE	85.58	STAEBELL CYNTHIA	279.33
HANSON, M	158.68	CONNOLLY, TIMOTHY	493.46
HASSATT, CHANDA	70.41	FIELD, BARBARA	303.48
HEATON, D	78.81	ARENDS, JEANNE	535.17
HEGGEN, T	86.53	FERNEAU, SANDRA	499.04
HOLTON, HEATHER	65.27		
HURN, JODI	65.30		$ 6,475.13

Recommendation - The District should collect the above monies back from the teachers for the unauthorized overpayment. In addition, the District should review procedures in place for identifying and correcting payroll mistakes.

Response - The Board passed a board motion in fiscal year 2006 to authorize the overpayment of salaries.

Conclusion - Response accepted.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Mike Blaser, Bus Driver Owner of Blaser Electric	Electrical work	$3,909
Bernard Bunk, Bus Driver Owner of Bernard's	Repairs	$72,519

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the employees do not appear to represent a conflict of interest.

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

II-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will provide the minutes within two weeks.

Conclusion - Response accepted.

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

II-I-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-K-05 Financial Condition - The District had deficit net assets of $39,916 in the Enterprise-School Nutrition Fund. The District also had several deficit account balances in the Special Revenue, Student Activity Fund.

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

Response - We will monitor the deficit funds and accounts and investigate alternatives to eliminate the deficits.

Conclusion - Response accepted.

II-L-05 Publication of Payroll - We noted during our audit that the District did not publish the salaries of employees as required by Chapter 279.35 of the Code of Iowa.

Recommendation - The District should review Chapter 279.35 of the Code of Iowa and publish the salaries annually in compliance with the code section.

Response - We will comply with this recommendation.

Conclusion - Response accepted.