

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL
DISTRICT

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

June 30, 2006

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Independent Auditor's Report

To the Board of Education of
Woden-Crystal Lake Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Woden-Crystal Lake Community School District, Woden, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Woden-Crystal Lake Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2006, on our consideration of Woden-Crystal Lake Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 36 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Woden-Crystal Lake Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005, (which are not presented herein) and expressed unqualified opinions 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.

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

October 24, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Woden-Crystal Lake CSD 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, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$1,647,576 in fiscal 2005 to \$1,698,666 in fiscal 2006, while General Fund expenditures increased from \$1,656,412 in fiscal 2005 to \$1,708,748 in fiscal 2006. The District's General Fund balance decreased from \$(164,172) in fiscal 2005 to \$(182,761) in fiscal 2006, an 11% decrease.
- The increase in General Fund revenues was attributable to an increase in state funding revenue in fiscal 2006. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2006. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Woden-Crystal Lake Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Woden-Crystal Lake Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Woden-Crystal Lake Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

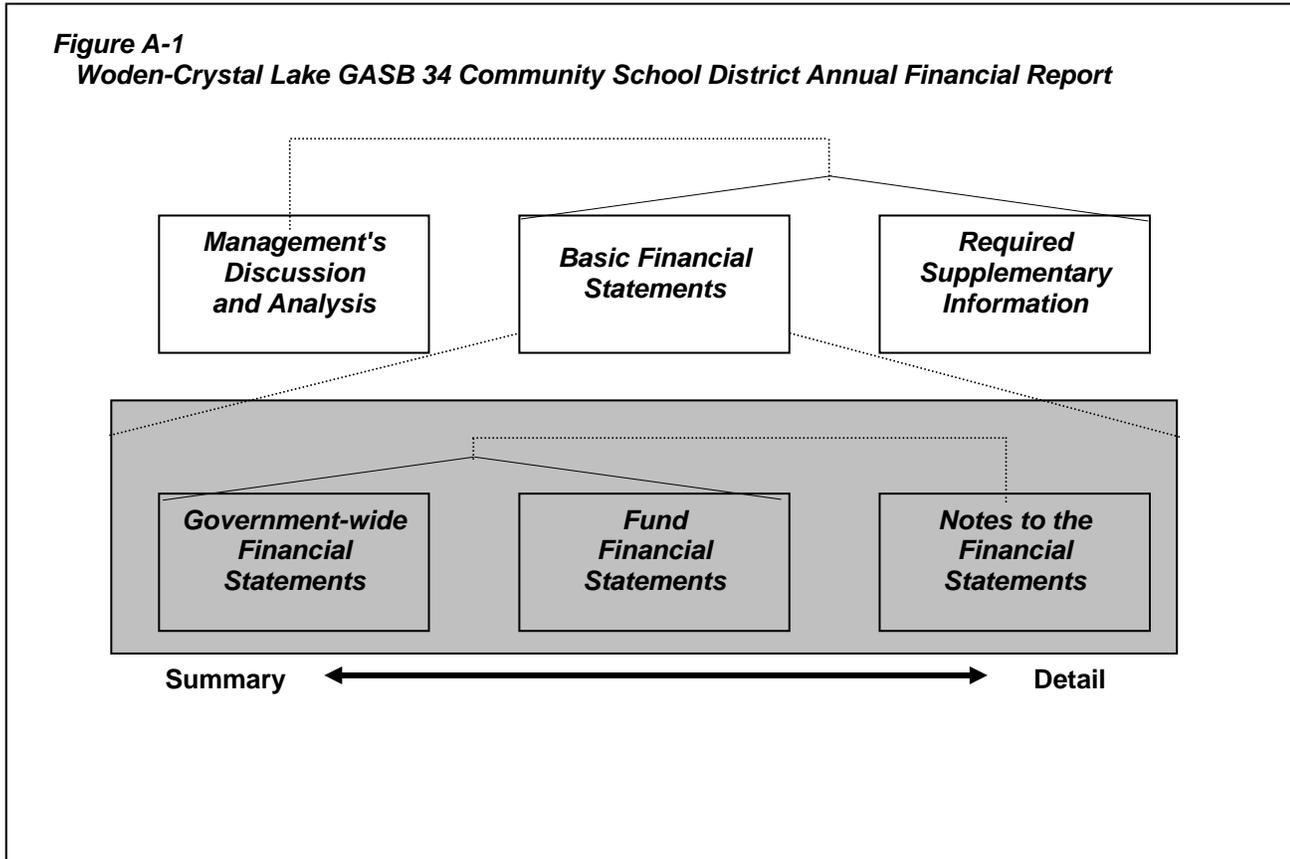


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net assets are an indicator of whether financial position is improving or deteriorating. To assess the District’s overall health,

additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
 - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2005	2006	2005	2006	2005	2006	
	\$	\$	\$	\$	\$	\$	
Current and other assets	1,537,130	1,681,642	(5,168)	(8,437)	1,531,962	1,673,205	9%
Capital assets	913,986	913,725	5,591	4,484	919,577	918,209	-0%
Total assets	2,451,116	2,595,367	423	(3,953)	2,451,539	2,591,414	6%
Long-term liabilities	305,000	235,000	-	-	305,000	235,000	-23%
Other liabilities	1,454,134	1,540,048	4,414	-	1,458,548	1,540,048	6%
Total liabilities	1,759,134	1,775,048	4,414	-	1,763,548	1,775,048	1%
Net Assets:							
Invested in capital assets, net of related debt	608,986	678,725	5,591	4,484	614,577	683,209	11%
Restricted	176,177	258,241	-	-	176,177	258,241	47%
Unrestricted	(93,181)	(116,647)	(9,582)	(8,437)	(102,763)	(125,084)	-22%
TOTAL NET ASSETS	691,982	820,319	(3,991)	(3,953)	687,991	816,366	19%

The District's combined net assets increased by nearly 19%, or approximately \$128,375, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$82,064 or 47% over the prior year. The increase was primarily a result of physical plant and equipment levy property taxes and local option sales taxes that were collected in the current year, but will be spent for equipment and capital improvements in a future year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$22,321, or 22%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2006 and 2005.

Figure A-4

	Change in Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	
Revenues							
Program Revenues:							
Charges for services	201,544	201,288	34,383	32,748	235,927	234,036	-1%
Operating grants & contributions	218,352	222,762	28,689	29,975	247,041	252,737	2%
Capital grants & contributions	10,045	-	-	-	10,045	-	-100%
General Revenues:							
Property taxes	895,017	868,668	-	-	895,017	868,668	-3%
Income Surtax	82,091	88,425	-	-	82,091	88,425	8%
Local option sales tax	64,428	84,087	-	-	64,428	84,087	31%
Unrestricted state grants	485,600	558,759	-	-	485,600	558,759	15%
Unrestricted investment earnings	3,150	26,310	28	13	3,178	26,323	728%
Other revenue	11,187	23,259	-	-	11,187	23,259	108%
Total Revenues	1,971,414	2,073,558	63,100	62,736	2,034,514	2,136,294	5%
Expenses:							
Instruction	1,242,499	1,246,949	-	-	1,242,499	1,246,949	0%
Support services	503,828	567,747	-	-	503,828	567,747	13%
Non-instructional programs	-	-	70,311	71,205	70,311	71,205	1%
Other expenditures	113,411	122,018	-	-	113,411	122,018	8%
Total expenses	1,859,738	1,936,714	70,311	71,205	1,930,049	2,007,919	4%
Change in net assets before transfers	111,676	136,844	(7,211)	(8,469)	104,465	128,375	23%
Transfers	(5,500)	(8,507)	5,500	8,507	-	-	0%
CHANGE IN NET ASSETS	106,176	128,337	(1,711)	38	104,465	128,375	23%
Net assets beginning of year	585,806	691,982	(2,280)	(3,991)	583,526	687,991	18%
Net assets end of year	691,982	820,319	(3,991)	(3,953)	687,991	816,366	19%

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$2,073,558 and expenses were \$1,936,714. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2005	Total Cost of Services 2006	Net Cost of Services 2006	Net Cost of Services 2006
	\$	\$	\$	\$
Instruction	1,242,499	1,246,949	877,668	877,595
Support Services	503,828	567,747	500,508	565,022
Non-instructional Programs	-	-	-	-
Other Expenses	113,411	122,018	51,621	70,047
TOTAL	1,859,738	1,936,714	1,429,797	1,512,664

- The cost financed by users of the District's programs was \$201,288.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$222,762.
- The net cost of governmental activities was financed with \$1,041,180 in property and other taxes and \$558,759 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$62,736 and expenses were \$71,205. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Woden-Crystal Lake Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$66,997, well above last year's ending fund balances of \$12,995.

Governmental Fund Highlights

- The General Fund balance decreased from \$(164,172) to \$(182,761). The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$47,414 in fiscal 2005 to \$50,568 in fiscal 2006. The balance remaining in the PPEL Fund must be used for the purchase of equipment or for building and grounds repairs, improvements and construction.
- The Capital Projects Fund balance increased from \$76,956 at June 30, 2005 to \$129,477 at June 30, 2006. This increase was the result of higher sales tax collections. The monies in the capital projects fund must be used to purchase equipment or for capital improvements.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from a deficit of \$(3,991) at June 30, 2005 to \$(3,953) at June 30, 2006, representing an increase of approximately 1%. For fiscal 2006, the District increased meal prices, resulting in the increase in net assets but due to the fact of declining enrollment; it was not enough to off set the expenses.

BUDGETARY HIGHLIGHTS

The District's revenues were \$33,712 more than budgeted revenues, a variance of 2%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

The certified budget was exceeded in the instruction functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$918,209, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 0% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$56,594.

The original cost of the District's capital assets was \$2,285,602. Governmental funds account for \$2,236,416, with the remainder of \$49,186 accounted for in the Proprietary, School Nutrition Fund.

During 2006 the District spent \$28,250 for their High School ceiling, \$22,799 on the Elementary gym floor and \$4,177 for a floor scrubber for a total cost of \$55,226

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2005-2006
	2005	2006	2005	2006	2005	2006	
	\$	\$	\$	\$	\$	\$	
Land	5,305	5,305	0	0	5,305	5,305	0%
Buildings	828,187	844,900	0	0	828,187	844,900	2%
Improvements	21,035	18,275	0	0	21,035	18,275	-13%
Equipment & Furniture	59,459	45,245	5,591	4,484	65,050	49,729	-23%
TOTAL	913,986	913,725	5,591	4,484	919,577	918,209	-0%

Long-Term Debt

At June 30, 2006, the District had \$235,000 in general obligation, revenue and other long-term debt outstanding. This represents an decrease of approximately 23% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

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

	Total School District		Percentage
	2005	2006	Change
			2005-2006
	\$	\$	
General Obligation Bonds	305,000	235,000	-23%
	305,000	235,000	-23%

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:

- Hancock County has advised the District that, due to the addition of two new industrial sites and the recent completion of property revaluation assessments, the District's total taxable valuation will increase 5 percent for property tax collected in fiscal 2007.
- School financing is highly dependent upon student enrollment. The District's September 2006 enrollment decreased by ten students. This drop in enrollment will decrease the District's funding for fiscal year 2008.
- Although the District has experienced declining enrollment for the past three years, the District expects a slight increase in future enrollment due to a new housing development in progress within the District.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be replaced during fiscal 2007 at a cost of \$54,000. To pay for this bus, the District will use a combination of resources from the Capital Projects Fund and Physical Plant and Equipment Levy Fund.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Connie Tegtmeier, District Secretary/Treasurer and Business Manager, Woden-Crystal Lake Community School District, 346 Howard, PO Box 135, Woden, Iowa, 50484.

BASIC FINANCIAL STATEMENTS

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	501,587	-	501,587
Other	50,977	-	50,977
Receivables:			
Property tax:			
Delinquent	18,514	-	18,514
Succeeding year	963,739	-	963,739
Accrued interest:			
Accrued interest - ISCAP	5,422	-	5,422
Due from other governments	132,146	-	132,146
Interfund receivable/payable	9,257	(9,257)	-
Inventories	-	820	820
Capital assets, net of accumulated depreciation	913,725	4,484	918,209
	<u>2,595,367</u>	<u>(3,953)</u>	<u>2,591,414</u>
Total assets			
Liabilities			
Accounts payable	65,663	-	65,663
Accrued interest payable	785	-	785
Deferred revenue:			
Succeeding year property tax	963,739	-	963,739
ISCAP warrants payable	501,000	-	501,000
ISCAP accrued interest payable	5,407	-	5,407
ISCAP premium	3,454	-	3,454
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	75,000	-	75,000
Portion due after one year:			
General obligation bonds payable	160,000	-	160,000
	<u>1,775,048</u>	<u>-</u>	<u>1,775,048</u>
Total liabilities			

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	678,725	4,484	683,209
Restricted for:			
Gifted and talented program	9,268	-	9,268
Management levy	28,406	-	28,406
Physical plant and equipment levy	50,568	-	50,568
Other special revenue purposes	26,311	-	26,311
Local option sales tax capital projects	129,477	-	129,477
Debt service	14,211	-	14,211
Unrestricted	<u>(116,647)</u>	<u>(8,437)</u>	<u>(125,084)</u>
Total net assets	<u><u>820,319</u></u>	<u><u>(3,953)</u></u>	<u><u>816,366</u></u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular instruction	791,780	43,691	139,057	-
Special instruction	288,030	55,854	8,485	-
Other instruction	167,139	99,018	23,249	-
	<u>1,246,949</u>	<u>198,563</u>	<u>170,791</u>	<u>-</u>
Support services:				
Student services	30,711	-	-	-
Instructional staff services	20,898	-	-	-
Administration services	231,347	-	-	-
Operation and maintenance of plant services	180,021	2,725	-	-
Transportation services	104,770	-	-	-
	<u>567,747</u>	<u>2,725</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	21,089	-	-	-
Long-term debt interest	12,038	-	176	-
AEA flowthrough	51,795	-	51,795	-
Depreciation (unallocated)*	37,096	-	-	-
	<u>122,018</u>	<u>-</u>	<u>51,971</u>	<u>-</u>
Total governmental activities	1,936,714	201,288	222,762	-
Business type activities:				
Non-instructional programs:				
Food service operations	71,205	29,975	32,748	-
Total	<u>2,007,919</u>	<u>231,263</u>	<u>255,510</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(609,032)	-	(609,032)
(223,691)	-	(223,691)
(44,872)	-	(44,872)
<u>(877,595)</u>	<u>-</u>	<u>(877,595)</u>
(30,711)	-	(30,711)
(20,898)	-	(20,898)
(231,347)	-	(231,347)
(177,296)	-	(177,296)
(104,770)	-	(104,770)
<u>(565,022)</u>	<u>-</u>	<u>(565,022)</u>
(21,089)	-	(21,089)
(11,862)	-	(11,862)
-	-	-
(37,096)	-	(37,096)
<u>(70,047)</u>	<u>-</u>	<u>(70,047)</u>
(1,512,664)	-	(1,512,664)
-	(8,482)	(8,482)
<u>(1,512,664)</u>	<u>(8,482)</u>	<u>(1,521,146)</u>
732,274	-	732,274
81,901	-	81,901
54,493	-	54,493
88,425	-	88,425
84,087	-	84,087
558,759	-	558,759
26,310	13	26,323
23,259	-	23,259
<u>1,649,508</u>	<u>13</u>	<u>1,649,521</u>
(8,507)	8,507	-
<u>1,641,001</u>	<u>8,520</u>	<u>1,649,521</u>
128,337	38	128,375
691,982	(3,991)	687,991
<u>820,319</u>	<u>(3,953)</u>	<u>816,366</u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2006

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Assets			
Cash and pooled investments:			
ISCAP	501,587	-	501,587
Other	-	50,977	50,977
Receivables:			
Property tax:			
Delinquent	14,542	3,972	18,514
Succeeding year	760,368	203,371	963,739
Accrued interest - ISCAP	5,422	-	5,422
Interfund receivable	6,357	186,337	192,694
Due from other governments	111,414	20,732	132,146
	<u>1,399,690</u>	<u>465,389</u>	<u>1,865,079</u>
Total assets	<u>1,399,690</u>	<u>465,389</u>	<u>1,865,079</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	53,403	12,260	65,663
Interfund payable	183,437	-	183,437
ISCAP warrants payable	501,000	-	501,000
ISCAP accrued interest payable	5,407	-	5,407
ISCAP premium	3,454	-	3,454
Deferred revenue:			
Succeeding year property tax	760,368	203,371	963,739
Other	75,382	-	75,382
Total liabilities	<u>1,582,451</u>	<u>215,631</u>	<u>1,798,082</u>
Fund balances:			
Reserved for:			
Gifted and talented program	9,268	-	9,268
Debt service	-	14,996	14,996
Unreserved reported in:			
General fund	(192,029)	-	(192,029)
Special revenue funds	-	105,285	105,285
Capital projects funds	-	129,477	129,477
Total fund balances	<u>(182,761)</u>	<u>249,758</u>	<u>66,997</u>
	<u>1,399,690</u>	<u>465,389</u>	<u>1,865,079</u>
Total liabilities and fund balances	<u>1,399,690</u>	<u>465,389</u>	<u>1,865,079</u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2006

	\$
Total fund balances of governmental funds (Exhibit C)	66,997
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	913,725
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	75,382
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(785)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(235,000)</u>
Net assets of governmental activities (Exhibit A)	<u><u>820,319</u></u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	General Fund \$	Nonmajor Governmental Funds \$	Total \$
Revenues:			
Local sources:			
Local tax	766,755	259,745	1,026,500
Tuition	77,493	-	77,493
Other	73,073	99,894	172,967
State sources	718,779	10,862	729,641
Federal sources	62,566	-	62,566
Total revenues	<u>1,698,666</u>	<u>370,501</u>	<u>2,069,167</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	784,451	-	784,451
Special instruction	288,030	-	288,030
Other instruction	72,974	92,466	165,440
	<u>1,145,455</u>	<u>92,466</u>	<u>1,237,921</u>
Support services:			
Student services	30,711	-	30,711
Instructional staff services	18,032	1,494	19,526
Administration services	216,935	10,011	226,946
Operation and maintenance of plant services	149,106	29,636	178,742
Transportation services	96,714	5,745	102,459
	<u>511,498</u>	<u>46,886</u>	<u>558,384</u>
Other expenditures:			
Facilities acquisition	-	76,315	76,315
Long-term debt:			
Principal	-	70,000	70,000
Interest and fiscal charges	-	12,243	12,243
AEA flowthrough	51,795	-	51,795
	<u>51,795</u>	<u>158,558</u>	<u>210,353</u>
Total expenditures	<u>1,708,748</u>	<u>297,910</u>	<u>2,006,658</u>
Excess (deficiency) of revenues over (under) expenditures	(10,082)	72,591	62,509
Other financing sources (uses):			
Operating transfers out	(8,507)	-	(8,507)
Net change in fund balances	(18,589)	72,591	54,002
Fund balances beginning of year	(164,172)	177,167	12,995
Fund balances end of year	<u>(182,761)</u>	<u>249,758</u>	<u>66,997</u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		54,002
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the year as follows:		
Expenditures for capital assets	55,226	
Depreciation expense	<u>(55,487)</u>	(261)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		4,391
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		70,000
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.		<u>205</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>128,337</u></u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Inventories	820
Capital assets, net of accumulated depreciation	<u>4,484</u>
Total assets	5,304
Liabilities	
Interfund payables	<u>9,257</u>
Net assets	
Invested in capital assets, net of related debt	4,484
Unrestricted	<u>(8,437)</u>
Total net assets	<u><u>(3,953)</u></u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2006

	Nonmajor School Nutrition <u> </u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>29,975</u>
Operating expenses:	
Non-instructional programs:	
Salaries	26,149
Benefits	14,314
Supplies	29,635
Depreciation	<u>1,107</u>
	<u>71,205</u>
Operating gain (loss)	<u>(41,230)</u>
Non-operating revenue:	
State sources	792
Federal sources	31,956
Interest income	13
Total non-operating revenue	<u>32,761</u>
Gain (loss) before transfers	(8,469)
Transfers in	<u>8,507</u>
Change in net assets	38
Net assets beginning of year	<u>(3,991)</u>
Net assets end of year	<u><u>(3,953)</u></u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2006

	Nonmajor School Nutrition
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	29,975
Cash payments to employees for services	(40,463)
Cash payments to suppliers for goods or services	(23,363)
Net cash used by operating activities	<u>(33,851)</u>
Cash flows from non-capital financing activities:	
Transfers from other funds	8,507
Loans from other funds	2,900
State grants received	792
Federal grants received	26,053
Net cash provided by non-capital financing activities	<u>38,252</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>13</u>
Net increase (decrease) in cash and cash equivalents	4,414
Cash and cash equivalents at beginning of year	<u>(4,414)</u>
Cash and cash equivalents at end of year	<u><u>-</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(41,230)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	5,903
Depreciation	1,107
Decrease (increase) in inventories	369
Net cash used in operating activities	<u><u>(33,851)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$5,903 of federal commodities.

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2006

	Agency - Crystal Lake Public Library
	<u>\$</u>
Assets	
Cash and pooled investments	<u>16,141</u>
Liabilities	
Accounts payable	1,319
Due to other governments	<u>14,822</u>
Total liabilities	<u>16,141</u>
Net assets	<u><u>-</u></u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

1. Summary of Significant Accounting Policies

Woden-Crystal Lake Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Woden and Crystal Lake, Iowa and the predominately agricultural territory in a portion of Hancock and Winnebago Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Woden-Crystal Lake Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Woden-Crystal Lake Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

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

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

The District reports the following major governmental fund:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005, through June 30, 2006, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

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

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

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-40 years
Improvements other than buildings	10-30 years
Furniture and equipment	5-20 years

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

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

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the instruction function exceeded the amount budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
Nonmajor Governmental, Management Fund	General Fund	29,776
Nonmajor Governmental, PPEL Fund	General Fund	55,731
Nonmajor Governmental, Capital Projects Fund	General Fund	91,761
Nonmajor Governmental, Student Activity Fund	General Fund	6,169
Nonmajor Governmental, Capital Projects Fund	Enterprise, School Nutrition Fund	2,900
General Fund	Enterprise, School Nutrition Fund	6,357

The loans from the Management, PPEL and Capital Projects Funds to the General Fund and School Nutrition Fund are for cash flow. The loan from the General Fund to the School Nutrition Fund represents Nutrition Fund salaries that were paid from the General Fund, but not reimbursed at June 30, 2006. The loans are expected to be repaid during the upcoming year.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
		\$
Enterprise, School Nutrition Fund	General Fund	8,507

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

5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2006, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2005-06B	1/26/06	1/26/07	263,918	5,348	263,000	5,348
2006-07A	6/28/06	6/28/07	237,669	74	238,000	59
Total			<u>501,587</u>	<u>5,422</u>	<u>501,000</u>	<u>5,407</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006, is as follows:

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

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

Series	Interest Rates on Warrants %	Interest Rates on Investments %
2005-06A	4.000	3.903
2005-06B	4.500	4.772
2006-07A	4.500	4.772

6. Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	5,305	-	-	5,305
Capital assets being depreciated:				
Buildings	1,481,562	51,049	-	1,532,611
Improvements other than buildings	190,187	-	-	190,187
Furniture and equipment	504,136	4,177	-	508,313
Total capital assets being deprec.	2,175,885	55,226	-	2,231,111
Less accumulated depreciation for:				
Buildings	653,375	34,336	-	687,711
Improvements other than buildings	169,152	2,760	-	171,912
Furniture and equipment	444,677	18,391	-	463,068
Total accumulated depreciation	1,267,204	55,487	-	1,322,691
Total capital assets being depreciated, net	908,681	(261)	-	908,420
Governmental activities capital assets, net	913,986	(261)	-	913,725

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	49,186	-	-	49,186
Less accumulated depreciation	<u>43,595</u>	<u>1,107</u>	<u>-</u>	<u>44,702</u>
Business type activities capital assets, net	<u>5,591</u>	<u>1,107</u>	<u>-</u>	<u>4,484</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	7,329
Other	1,699
Support Services:	
Instructional staff services	1,372
Administration services	4,401
Operation and maintenance of plant services	1,279
Transportation	<u>2,311</u>
	18,391
Unallocated depreciation	<u>37,096</u>
Total depreciation expense – governmental activities	<u>55,487</u>
Business type activities:	
Food services	<u>1,107</u>

7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	<u>305,000</u>	<u>-</u>	<u>70,000</u>	<u>235,000</u>	<u>75,000</u>

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	November 1, 2001 Refunding Issue			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2007	3.75	75,000	9,425	84,425
2008	4.00	75,000	6,612	81,612
2009	4.25	<u>85,000</u>	<u>3,611</u>	<u>88,611</u>
		<u>235,000</u>	<u>19,648</u>	<u>254,648</u>

8. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$47,956, \$50,006, and \$46,010 respectively, equal to the required contributions for each year.

9. Risk Management

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

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$51,795 for the year ended June 30, 2006, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Financial Condition

The General Fund has a \$192,029 unreserved fund deficit and the School Nutrition Fund has a net assets deficit of \$3,953 at June 30, 2006.

12. Lease Commitment

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

<u>Year Ended June 30</u>	<u>Lease Payment</u>
2006	\$ 7,380
2007	3,690

REQUIRED SUPPLEMENTARY INFORMATION

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,276,960	29,988	1,306,948	1,275,556	1,275,556	31,392
State sources	729,641	792	730,433	724,436	724,436	5,997
Federal sources	62,566	31,956	94,522	98,199	98,199	(3,677)
Total revenues	<u>2,069,167</u>	<u>62,736</u>	<u>2,131,903</u>	<u>2,098,191</u>	<u>2,098,191</u>	<u>33,712</u>
Expenditures:						
Instruction	1,237,921	-	1,237,921	1,148,000	1,148,000	(89,921)
Support services	558,384	-	558,384	577,099	577,099	18,715
Non-instructional programs	-	71,205	71,205	81,218	81,218	10,013
Other expenditures	210,353	-	210,353	249,193	249,193	38,840
Total expenditures	<u>2,006,658</u>	<u>71,205</u>	<u>2,077,863</u>	<u>2,055,510</u>	<u>2,055,510</u>	<u>(22,353)</u>
Excess (deficiency) of revenues over (under) expenditures	62,509	(8,469)	54,040	42,681	42,681	11,359
Other financing sources (uses) net	<u>(8,507)</u>	<u>8,507</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	54,002	38	54,040	42,681	42,681	11,359
Balance beginning of year	<u>12,995</u>	<u>(3,991)</u>	<u>9,004</u>	<u>45,611</u>	<u>45,611</u>	<u>(36,607)</u>
Balance end of year	<u><u>66,997</u></u>	<u><u>(3,953)</u></u>	<u><u>63,044</u></u>	<u><u>88,292</u></u>	<u><u>88,292</u></u>	<u><u>(25,248)</u></u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

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

During the year ended June 30, 2006, expenditures in the instruction function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2006

Assets	Special Revenue Funds					Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Capital Projects	Debt Service	
	\$	\$	\$	\$	\$	
Cash and pooled investments	-	23,642	-	14,084	13,251	50,977
Receivables:						
Property tax:						
Delinquent	1,066	-	1,161	-	1,745	3,972
Succeeding year	60,000	-	58,646	-	84,725	203,371
Accounts						-
Interfund receivable	29,776	6,169	55,731	94,661	-	186,337
Due from other governments	-	-	-	20,732	-	20,732
Total assets	90,842	29,811	115,538	129,477	99,721	465,389
Liabilities & Fund Balances						
Liabilities:						
Accounts payable	2,436	3,500	6,324	-	-	12,260
Deferred revenue:						
Succeeding year property tax	60,000	-	58,646	-	84,725	203,371
Total liabilities	62,436	3,500	64,970	-	84,725	215,631
Fund balances:						
Reserved for debt service	-	-	-	-	14,996	14,996
Unreserved reported in:						
Special revenue funds	28,406	26,311	50,568	-	-	105,285
Capital projects funds	-	-	-	129,477	-	129,477
Total fund balances	28,406	26,311	50,568	129,477	14,996	249,758
Total liabilities and fund balances	90,842	29,811	115,538	129,477	99,721	465,389

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	Special Revenue Funds					Total
	Management	Student	Physical	Capital	Debt	
	Levy	Activity	Plant and	Projects	Service	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	50,036	-	54,529	73,225	81,955	259,745
Other	87	99,018	250	363	176	99,894
State sources	-	-	-	10,862	-	10,862
Total revenues	<u>50,123</u>	<u>99,018</u>	<u>54,779</u>	<u>84,450</u>	<u>82,131</u>	<u>370,501</u>
Expenditures:						
Current:						
Instruction:						
Other instruction	-	92,466	-	-	-	92,466
Support services:						
Instructional staff services	-	-	1,494	-	-	1,494
Administration services	10,011	-	-	-	-	10,011
Operation and maintenance of plant services	29,636	-	-	-	-	29,636
Transportation services	-	-	5,745	-	-	5,745
Other expenditures:						
Facilities acquisition	-	-	44,386	31,929	-	76,315
Long-term debt:						
Principal	-	-	-	-	70,000	70,000
Interest and fiscal charges	-	-	-	-	12,243	12,243
Total expenditures	<u>39,647</u>	<u>92,466</u>	<u>51,625</u>	<u>31,929</u>	<u>82,243</u>	<u>297,910</u>
Net change in fund balances	10,476	6,552	3,154	52,521	(112)	72,591
Fund balances beginning of year	<u>17,930</u>	<u>19,759</u>	<u>47,414</u>	<u>76,956</u>	<u>15,108</u>	<u>177,167</u>
Fund balances end of year	<u><u>28,406</u></u>	<u><u>26,311</u></u>	<u><u>50,568</u></u>	<u><u>129,477</u></u>	<u><u>14,996</u></u>	<u><u>249,758</u></u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Interest	3,282	141	3,423	-
Designated fund balance	1,100	3,072	3,072	1,100
Student activities	2,009	539	770	1,778
Athletic resale	(3,148)	19,141	14,736	1,257
Athletics	7,493	22,423	24,475	5,441
Designated fund balance	-	30	-	30
Elementary music club	3,833	-	-	3,833
Flag team	(3,533)	5,681	673	1,475
Summer recreation	2,577	2,545	3,284	1,838
Cheerleaders	26	3,305	4,778	(1,447)
Music	3,668	-	4,097	(429)
Sound system	(5,389)	5,389	-	-
Student council	1,772	8,169	5,696	4,245
Honor society	(56)	-	67	(123)
Drama	846	3,637	5,928	(1,445)
Picture display	(545)	545	-	-
Class of 2002	(3)	3	-	-
Class of 2003	(80)	80	-	-
Class of 2004	1,066	-	1,066	-
Class of 2005	421	48	469	-
Class of 2007	1,846	6,819	5,144	3,521
Class of 2008	1,582	2,640	1,661	2,561
Class of 2009	-	3,877	869	3,008
Designated	666	749	1,747	(332)
Designated	1,188	1,884	3,072	-
Christiansen scholarship	89	-	89	-
Annual	1,930	2,291	4,221	-
Annual 99-00	(1,803)	3,890	2,087	-
Annual 01-02	(1,232)	1,301	69	-
Annual 02-03	282	-	282	-
Annual 03-04	(819)	819	-	-
Stage curtain	691	-	691	-
	<u>19,759</u>	<u>99,018</u>	<u>92,466</u>	<u>26,311</u>
Total	<u>19,759</u>	<u>99,018</u>	<u>92,466</u>	<u>26,311</u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
Assets				
Cash	12,741	16,386	12,986	16,141
Accounts receivable	32	-	32	-
Total assets	<u>12,773</u>	<u>16,386</u>	<u>13,018</u>	<u>16,141</u>
Liabilities				
Accounts payable	151	1,319	151	1,319
Due to other governments	12,622	16,285	14,085	14,822
Total liabilities	<u>12,773</u>	<u>17,604</u>	<u>14,236</u>	<u>16,141</u>

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,026,500	1,044,234	1,025,279	921,041
Tuition	77,493	85,940	96,848	109,311
Other	172,967	118,937	114,480	121,515
State sources	729,641	645,672	708,702	613,629
Federal sources	62,566	68,195	67,650	84,615
Total revenues	<u>2,069,167</u>	<u>1,962,978</u>	<u>2,012,959</u>	<u>1,850,111</u>
Expenditures:				
Instruction:				
Regular instruction	784,451	787,915	840,820	895,588
Special instruction	288,030	318,029	239,764	281,005
Other instruction	165,440	130,625	127,864	127,181
Support services:				
Student services	30,711	33,282	36,345	34,585
Instructional staff services	19,526	27,699	47,093	35,973
Administration services	226,946	193,670	216,073	225,597
Operation and maintenance of plant services	178,742	163,878	168,398	174,972
Transportation services	102,459	73,580	90,122	74,169
Other expenditures:				
Facilities acquisition	76,315	100,459	40,095	45,545
Long-term debt:				
Principal	70,000	67,131	68,016	109,773
Interest and other charges	12,243	14,176	16,740	20,412
AEA flowthrough	51,795	51,615	53,419	55,541
Total expenditures	<u>2,006,658</u>	<u>1,962,059</u>	<u>1,944,749</u>	<u>2,080,341</u>

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

To the Board of Education of
Woden-Crystal Lake Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Woden-Crystal Lake Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 24, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Woden-Crystal Lake Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 06-I-A is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Woden-Crystal Lake Community School District and other parties to whom Woden-Crystal Lake Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

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

October 24, 2006

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

06-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

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

Conclusion: Response accepted.

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

06-II-A Certified Budget: Expenditures for the year ended June 30, 2006, exceeded the amount budgeted in the instruction function.

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

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

Conclusion: Response accepted.

06-II-B Questionable Expenditures: No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

06-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
LeRoy Vrieze, Board Member, Owner of Vrieze Construction	Repairs	480

The transaction does not appear to represent a conflict of interest since the dollar amount was less than \$2,500.

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

06-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

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

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

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

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

06-II-I Certified Annual Report (CAR): The CAR was filed with the Department of Education after the due date.

Recommendation: Future Certified Annual Reports should be filed by the due date.

District Response: We will file future reports on time.

Conclusion: Response accepted.

06-II-J Financial Condition: The General Fund has an unreserved, undesignated fund deficit of \$192,029 and the School Nutrition Fund had a \$3,953 deficit net assets balance at June 30, 2006. The Student Activity Fund also has several accounts with deficit balances at June 30, 2006.

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

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

Conclusion: Response accepted.

06-II-K Physical Plant and Equipment Levy Fund: The Physical Plant and Equipment property tax levy may be used for building construction and repairs, grounds improvements and the purchase or lease of certain equipment. We noted that expenditures from this fund included \$5,745 for bus repairs. Equipment repairs are not an allowable use of this property tax levy.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund.

District Response: There were expenditures for equipment rental in the General Fund that could have been paid from PPEL which would offset the bus repairs. We will monitor future expenditures from this fund.

Conclusion: Response accepted.