WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

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WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Officials

Name	Title	Term Expires
	Board of Education	
	(Before September 2009 Election)	
Ron Eden	President	2011
James Wellik	Vice President	2011
Bruce Kluver	Board Member	2009
Pat Hobbs	Board Member	2009
Tracy Muth	Board Member	2009
	(After September 2009 Election)	
Ron Eden	President	2011
James Wellik	Vice President	2011
Bruce Kluver	Board Member	2013
Pat Hobbs	Board Member	2013
Travis Stohr	Board Member	2013
	School Officials	
Dwight Widen	Superintendent	
Roxanne Stohr	District Secretary/Treasurer	

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

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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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Woden-Crystal Lake Community School District at June 30, 2010, 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 March 4, 2011 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, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Woden-Crystal Lake Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009, (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

March 4, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Woden Crystal Lake Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from $1,751,321 in fiscal 2009 to $2,067,462 in fiscal 2010, while General Fund expenditures increased from $1,633,999 in fiscal 2009 to $1,783,321 in fiscal 2010. The District's General Fund balance increased from $(124,200) in fiscal 2009 to $184,000 in fiscal 2010, a 248% increase.

- The increase in General Fund revenues was attributable to an increase in property tax revenues and federal grant revenue in fiscal 2010. The slight increase in expenditures was due primarily to staff settlements.

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-1
Woden Crystal Lake Community School District Annual Financial Report

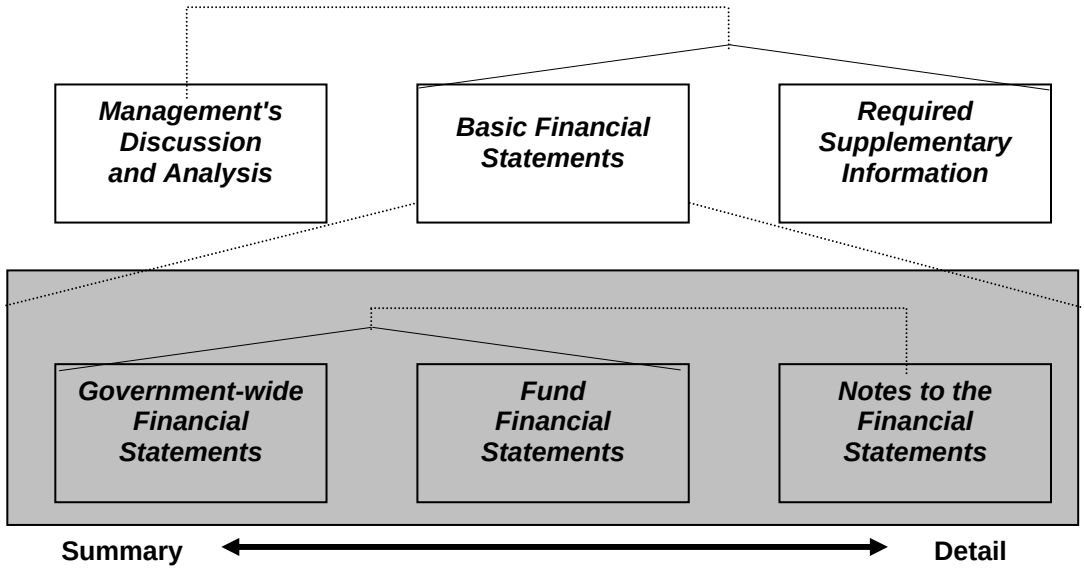

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures and changes in fund balances	• Statement of net assets • Statement of revenues, expenses and changes in fund 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, 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 Agency Funds.

    - Agency Funds – These are funds through which the District administers and accounts for certain monies behalf of other entities.

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, 2010 compared to June 30, 2009.

Figure A-3

	Condensed Statement of Net Assets						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2009	2010	2009	2010	2009	2010	2009-2010
	$	$	$	$	$	$	%
Current and other assets	1,616,707	1,829,337	(5,057)	35	1,611,650	1,829,372	14
Capital assets	811,211	844,029	1,688	911	812,899	844,940	4
Total assets	**2,427,918**	**2,673,366**	**(3,369)**	**946**	**2,424,549**	**2,674,312**	**10**
Long-term liabilities	--	9,561	--	435	--	9,996	0
Other liabilities	1,243,353	1,170,491	617	1,781	1,243,970	1,172,272	-6
Total liabilities	**1,243,353**	**1,180,052**	**617**	**2,216**	**1,243,970**	**1,182,268**	**-5**
Net Assets:							
Invested in capital assets, net of related debt	811,211	844,029	1,688	911	812,899	844,940	4
Restricted	404,077	397,090	--	--	404,077	397,090	-2
Unrestricted	(30,723)	252,195	(5,674)	(2,181)	(36,397)	250,014	787
TOTAL NET ASSETS	**1,184,565**	**1,493,314**	**(3,986)**	**(1,270)**	**1,180,579**	**1,492,044**	**26**

The District's combined total net assets increased by nearly 26%, or approximately $311,465, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately $6,987 or 2% from the prior year.

Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements) increased approximately $286,411, or 787%. This increase in unrestricted net assets was a result of the District using carryover funds and a reduction of its overall expenditures during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2010 and 2009.

Figure A-4

	Change in Net Assets						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2009	2010	2009	2010	2009	2010	2009-2010
	$	$	$	$	$	$	%
Revenues							
Program Revenues:							
Charges for services	346,081	397,576	32,252	29,745	378,333	427,321	13
Operating grants & contributions	263,166	327,865	22,101	22,936	285,267	350,801	23
Capital grants & contributions	4,319	--	--	--	4,319	--	-100
General Revenues:							
Property taxes	941,881	995,662	--	--	941,881	995,662	6
Income Surtax	87,935	90,520	--	--	87,935	90,520	3
Local option sales tax	77,235	79,972	--	--	77,235	79,792	4
Unrestricted state grants	449,416	396,470	--	--	449,416	396,470	-12
Unrestricted investment earnings	2,907	2,052	--	--	2,907	2,052	-29
Other revenue	24,393	54,775	--	--	24,393	54,775	125
Capital asset impairment	(25,669)	--	--	--	(25,669)	--	100
Total Revenues	**2,171,664**	**2,344,892**	**54,353**	**52,681**	**2,226,017**	**2,397,573**	**8**
Expenses:							
Instruction	1,266,528	1,335,366	--	--	1,266,528	1,335,366	5
Support services	522,242	577,445	--	--	522,242	577,445	11
Non-instructional programs	-	--	50,085	49,965	50,085	49,965	0
Other expenditures	135,854	123,332	--	--	135,854	123,332	-9
Total expenses	**1,924,624**	**2,036,143**	**50,085**	**49,965**	**1,974,709**	**2,086,108**	**6**
CHANGE IN NET ASSETS	**247,040**	**308,749**	**4,268**	**2,716**	**251,308**	**311,465**	**24**
Net assets beginning of year	937,525	1,184,565	(8,254)	(3,986)	929,271	1,180,579	27
Net assets end of year	1,184,565	1,493,314	(3,986)	(1,270)	1,180,579	1,492,044	26

Property tax and unrestricted state grants account for 58% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 92% of the total expenses.

Governmental Activities

Revenues for governmental activities were $2,344,892 and expenses were $2,036,143. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

	Total Cost of Services			Net Cost of Services		
	2009	2010	Change 2009-2010	2009	2010	Change 2009-2010
	$	$	$	$	$	$
Instruction	1,266,528	1,335,366	68,838	716,091	673,000	(43,091)
Support Services	522,242	577,445	55,203	518,398	577,382	58,984
Other Expenses	135,854	123,332	(12,522)	76,569	60,320	(16,249)
TOTAL	**1,924,624**	**2,036,143**	**111,519**	**1,311,058**	**1,310,702**	**42,735**

- The cost financed by users of the District's programs was $397,576. Most of these revenues are derived from tuition charged to other school districts and from student activities.

- Federal and state governments subsidized certain programs with grants and contributions totaling $327,865.

- The net cost of governmental activities was financed with $1,166,154 in property and local other taxes and $396,470 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were $52,681 and expenses were $49,965. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2010, the District increased meal prices for the second time in as many years. This increase resulted in increased revenue to the School Nutrition Fund that the District has obligated for replacement of obsolete kitchen equipment at secondary building in the next fiscal year.

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 $580,158, well above last year's ending fund balances of $278,535.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Total General Fund revenue increased by $316,141 for fiscal year 2010. This increase was due to higher property taxes and federal grants. General Fund expenditures increased by $149,322 for fiscal year 2010. Most of this increase occurred in the instruction function.

- The General Fund balance increased from $(124,200) at June 30, 2009 to $184,000, at June 30, 2010**.**

- The Non-major Governmental Fund balance decreased from $166,080 in fiscal 2009 to $70,291 in fiscal 2010. Most of this decrease was due to increased expenditures from the Physical Plant and Equipment Levy Fund.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from $(3,986) at June 30, 2009 to $(1,270) at June 30, 2010, representing an increase of approximately 68%. For fiscal 2010, the District increased meal prices, resulting in the increase in net assets. The District also revamped its school lunch program to provide students with the option of salad and/or pasta bars at lunch with little additional cost to the program. This change resulted in an increase in meals served and a related increase in revenue and net assets.

BUDGETARY HIGHLIGHTS

Woden Crystal Lake Community School District amended its annual budget during the year, increasing expenditures in all four functions by a total of $94,116.

The District's receipts were $259,436 more than budgeted receipts, a variance of 11%. There were more revenues received in local and federal sources than originally anticipated.

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

Despite the District's budgeting process expenditures exceeded the amounts budgeted in the instruction and support services functions due to the timing of expenditures at year-end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested $844,940 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 4.05% 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 $56,658.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2009	2010	2009	2010	2009	2010	2009-2010
	$	$	$	$	$	$	%
Land	3,537	3,537	--	--	3,537	3,537	0
Buildings	738,508	705,206	--	--	738,508	705,206	-5
Improvements	27,784	36,246	--	--	27,784	36,246	31
Equipment & Furniture	41,382	99,040	1,688	911	43,070	99,951	132
TOTAL	**811,211**	**844,029**	**1,688**	**911**	**812,899**	**844,940**	**4**

Long-Term Debt

At June 30, 2010 the District had $9,996 in long-term debt outstanding. (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	
	2009	2010
	$	$
Net OPEB liability	--	9,996

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's October 2010 enrollment increased by seven students. This increase in enrollment may or may not increase the District's funding for fiscal year 2011-2012 depending on the allowable growth adopted by the legislature.

- Although the District has experienced declining enrollment for the past three years, the District will be entering a whole grade sharing agreement with the Forest City Community School District for the 2011-2012 school year and the following years.

- Restructuring of certified, support and administrative staff will likely to occur to meet program needs and save costs. Program partnerships will continue and be expanded with neighboring schools and colleges.

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 Roxanne Stohr, District Secretary/Treasurer or Steven J. Rollefson Business Manager, Woden Crystal Lake Community School District, 120 West 5th Street, Crystal Lake, Iowa, 50480.

BASIC FINANCIAL STATEMENTS

Exhibit A

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	$	$	$
Assets			
Cash and cash equivalents	592,887	354	593,241
Receivables:			
Property tax:			
Delinquent	44,606	-	44,606
Succeeding year	1,021,660	-	1,021,660
Accounts	524	823	1,347
Due from other governments	168,160	-	168,160
Internal balances	1,500	(1,500)	-
Inventories	-	358	358
Capital assets, net of accumulated depreciation	844,029	911	844,940
Total assets	2,673,366	946	2,674,312
Liabilities			
Accounts payable	6,708	1,024	7,732
Due to other governments	142,123	-	142,123
Deferred revenue:			
Succeeding year property tax	1,021,660	-	1,021,660
Other	-	757	757
Long-term liabilities:			
Portion due after one year:			
Net OPEB liability	9,561	435	9,996
Total liabilities	1,180,052	2,216	1,182,268
Net assets			
Invested in capital assets, net of related debt	844,029	911	844,940
Restricted for:			
Categorical funding	932	-	932
Management levy	113,060	-	113,060
Physical plant and equipment levy	58,265	-	58,265
Other special revenue purposes	12,026	-	12,026
Sales tax capital projects	212,807	-	212,807
Unrestricted	252,195	(2,181)	250,014
Total net assets	1,493,314	(1,270)	1,492,044

See notes to financial statements.

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	$	$	$	$
Governmental activities:				
Instruction:				
Regular	828,152	274,236	215,235	-
Special	280,010	59,325	23,919	-
Other	227,204	63,952	25,699	-
	1,335,366	397,513	264,853	-
Support services:				
Student	22,447	-	-	-
Instructional staff	27,382	-	-	-
Administration	259,164	-	-	-
Operation and maintenance of plant	155,224	-	-	-
Transportation	113,228	63	-	-
	577,445	63	-	-
Other expenditures:				
Facilities acquisition	23,194	-	-	-
AEA flowthrough	63,012	-	63,012	-
Depreciation (unallocated)*	37,126	-	-	-
	123,332	-	63,012	-
Total governmental activities	2,036,143	397,576	327,865	-
Business type activities:				
Non-instructional programs:				
Food service operations	49,965	29,745	22,936	-
Total	2,086,108	427,321	350,801	-
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
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.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
$	$	$
(338,681)	-	(338,681)
(196,766)	-	(196,766)
(137,553)	-	(137,553)
(673,000)	-	(673,000)
(22,447)	-	(22,447)
(27,382)	-	(27,382)
(259,164)	-	(259,164)
(155,224)	-	(155,224)
(113,165)	-	(113,165)
(577,382)	-	(577,382)
(23,194)	-	(23,194)
-	-	-
(37,126)	-	(37,126)
(60,320)	-	(60,320)
(1,310,702)	-	(1,310,702)
-	2,716	2,716
(1,310,702)	2,716	(1,307,986)
952,653	-	952,653
43,009	-	43,009
90,520	-	90,520
79,972	-	79,972
396,470	-	396,470
2,052	-	2,052
54,775	-	54,775
1,619,451	-	1,619,451
308,749	2,716	311,465
1,184,565	(3,986)	1,180,579
1,493,314	(1,270)	1,492,044

See notes to financial statements.

Exhibit C

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General Fund	Management Levy	Capital Projects	Nonmajor Governmental Funds	Total
	$	$	$	$	$
Assets					
Cash and pooled investments	216,153	111,894	201,352	63,488	592,887
Receivables:					
Property tax:					
Delinquent	39,393	3,500	-	1,713	44,606
Succeeding year	910,920	75,000	-	35,740	1,021,660
Accounts	524	-	-	-	524
Interfund receivable	1,500	-	-	6,168	7,668
Due from other governments	156,705	-	11,455	-	168,160
Total assets	1,325,195	190,394	212,807	107,109	1,835,505
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	3,296	2,334	-	1,078	6,708
Due to other governments	142,123	-	-	-	142,123
Interfund payable	6,168	-	-	-	6,168
Deferred revenue:					
Succeeding year property tax	910,920	75,000	-	35,740	1,021,660
Income surtax	71,437	-	-	-	71,437
Other	7,251	-	-	-	7,251
Total liabilities	1,141,195	77,334	-	36,818	1,255,347
Fund balances:					
Reserved for:					
Categorical funding	932	-	-	-	932
Unreserved reported in:					
General fund	183,068	-	-	-	183,068
Special revenue funds	-	113,060	-	70,291	183,351
Capital projects funds	-	-	212,807	-	212,807
Total fund balances	184,000	113,060	212,807	70,291	580,158
Total liabilities and fund balances	1,325,195	190,394	212,807	107,109	1,835,505

See notes to financial statements.

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

	$
Total fund balances of governmental funds (Exhibit C)	580,158
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	844,029
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	78,688
Long-term liabilities for other postemployment benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	(9,561)
Net assets of governmental activities (Exhibit A)	1,493,314

See notes to financial statements.

Exhibit E

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Management Levy	Capital Projects	Nonmajor Governmental Funds	Total
	$	$	$	$	$
Revenues:					
Local sources:					
Local tax	956,659	86,146	79,972	43,009	1,165,786
Tuition	278,241	-	-	-	278,241
Other	103,800	3,132	8	63,952	170,892
State sources	556,346	48	-	24	556,418
Federal sources	172,416	-	-	-	172,416
Total revenues	2,067,462	89,326	79,980	106,985	2,343,753
Expenditures:					
Current:					
Instruction:					
Regular	800,208	53	23,135	-	823,396
Special	278,706	-	-	-	278,706
Other	149,866	-	-	75,713	225,579
	1,228,780	53	23,135	75,713	1,327,681
Support services:					
Student	22,012	-	-	-	22,012
Instructional staff	10,600	-	-	14,439	25,039
Administration	249,582	7,844	-	-	257,426
Operation and maintenance	114,963	29,263	9,501	-	153,727
Transportation	94,372	4,238	-	76,413	175,023
	491,529	41,345	9,501	90,852	633,227
Other expenditures:					
Facilities acquisition	-	-	6,060	29,420	35,480
AEA flowthrough	63,012	-	-	-	63,012
	63,012	-	6,060	29,420	98,492
Total expenditures	1,783,321	41,398	38,696	195,985	2,059,400
Excess (deficiency) of revenues over (under) expenditures	284,141	47,928	41,284	(89,000)	284,353
Other financing sources (uses):					
Sales of equipment and real real estate	8,250	-	-	9,020	17,270
Residual equity transfers in	15,809	-	-	-	15,809
Residual equity transfers out	-	-	-	(15,809)	(15,809)
Total other financing sources (uses)	24,059	-	-	(6,789)	17,270
Net change in fund balances	308,200	47,928	41,284	(95,789)	301,623
Fund balances beginning of year	(124,200)	65,132	171,523	166,080	278,535
Fund balances end of year	184,000	113,060	212,807	70,291	580,158

See notes to financial statements.

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	$	$
Net change in fund balances - total governmental funds (Exhibit E)		301,623
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 not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	88,699	
Depreciation expense	(55,881)	32,818
Income surtaxes and other receipts 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.		(16,131)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Other postemployment benefits		(9,561)
Changes in net assets of governmental activities (Exhibit B)		308,749

See notes to financial statements.

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2010

	Nonmajor School Nutrition
	$
Assets	
Cash and cash equivalents	354
Accounts receivable	823
Inventories	358
Capital assets, net of accumulated depreciation	911
Total assets	2,446
Liabilities	
Accounts payable	1,024
Interfund payables	1,500
Deferred revenue	757
Net OPEB liability	435
Total liabilities	3,716
Net assets	
Invested in capital assets	911
Unrestricted	(2,181)
Total net assets	(1,270)

See notes to financial statements

Exhibit H

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Nonmajor School Nutrition
	$
Operating revenues:	
Local sources:	
Charges for service	29,745
Operating expenses:	
Non-instructional programs:	
Salaries	12,766
Benefits	8,901
Purchased services	1,537
Supplies	25,984
Depreciation	777
Total operating expenses	49,965
Operating gain (loss)	(20,220)
Non-operating revenues:	
State sources	516
Federal sources	22,420
Total non-operating revenues	22,936
Net income	2,716
Net assets beginning of year	(3,986)
Net assets end of year	(1,270)

See notes to financial statements.

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2010

	Nonmajor School Nutrition
	$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	29,493
Cash payments to employees for services	(21,232)
Cash payments to suppliers for goods or services	(21,782)
Net cash used by operating activities	(13,521)
Cash flows from non-capital financing activities:	
Loans from (repaid to) other funds	(9,302)
State grants received	516
Federal grants received	18,157
Net cash provided by non-capital financing activities	9,371
Cash flows from capital and related financing activities	-
Cash flows from investing activities	-
Net increase (decrease) in cash and cash equivalents	(4,150)
Cash and cash equivalents at beginning of year	4,504
Cash and cash equivalents at end of year	354
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(20,220)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	4,263
Depreciation	777
Decrease (increase) in inventories	452
Decrease (increase) in accounts receivable	(392)
(Decrease) increase in accounts payable	1,024
(Decrease) increase in deferred revenue	140
Increase in other postemployment benefits	435
Net cash used by operating activities	(13,521)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received $4,263 of federal commodities.

See notes to financial statements.

Exhibit J

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2010

	Agency - Crystal Lake Public Library
	$
Assets	
Cash and pooled investments	18,004
Liabilities	
Accounts payable	497
Due to other governments	17,507
Total liabilities	18,004
Net assets	-

See notes to financial statements.

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 attributable 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 not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The Management Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy.

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 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 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 non-operating 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 non-operating 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 financial statements:

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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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 and intangibles, 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.

Asset Class	Amount
	$
Land	-
Buildings	3,000
Improvements other than buildings	3,000
Intangibles	25,000
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:

Asset Class	Estimated Useful Lives
Buildings	20-40 years
Improvements other than buildings	10-30 years
Intangibles	3-10 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 not available for appropriation or 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 are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, the District exceeded the amounts budgeted in the instruction and support services functional areas.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
	$
Diversified Portfolio	310,094

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

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
		$
Nonmajor Governmental Fund	General Fund	6,168
General Fund	Enterprise, School Nutrition Fund	1,500

The interfund loans are for cash flow.

4. Interfund Transfers

The detail of residual equity transfer for the year ended June 30, 2010 is as follows:

Transfer To	Transfer From	Amount
		$
General Fund	Nonmajor Governmental – Debt Service Fund	15,809

The District finished paying off its general obligation bond issue in fiscal year 2009. On September 9, 2009 a resolution authorizing the transfer of the surplus remaining in the Debt Service Fund to the General Fund was approved by the District's citizens at an election.

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. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. N.A. is the trustee for the program.

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. 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. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co., NA prime rate plus 50 basis points with a minimum interest rate of 4.50% A summary of the District's ISCAP activity for the year ended June 30, 2010, is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
			$	$	$	$
2009-10A	6/25/09	6/23/10	-	-	-	-
2009-10B	2/1/10	1/21/11	-	-	-	-
			-	-	-	-

During the year ended June 30, 2010, the District paid $1,322 of interest on the ISCAP warrants.

6. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	$	$	$	$
Governmental activities:				
Capital assets not being depreciated:				
Land	3,537	-	-	3,537
Capital assets being depreciated:				
Buildings	1,180,077	-	-	1,180,077
Improvements other than buildings	209,517	12,286	-	221,803
Furniture and equipment	380,230	76,413	67,520	389,123
Total capital assets being deprec.	1,769,824	88,699	67,520	1,791,003
Less accumulated depreciation for:				
Buildings	441,569	33,302	-	474,871
Improvements other than buildings	181,733	3,824	-	185,557
Furniture and equipment	338,848	18,755	67,520	290,083
Total accumulated depreciation	962,150	55,881	67,520	950,511
Total capital assets being depreciated, net	807,674	32,818	-	840,492
Governmental activities capital assets, net	811,211	32,818	-	844,029

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	$	$	$	$
Business type activities:				
Furniture and equipment	49,186	-	-	49,186
Less accumulated depreciation	47,498	777	-	48,275
Business type activities capital assets, net	1,688	(777)	-	911

Depreciation expense was charged to the following functions:

	$
Governmental activities:	
Instruction:	
Regular	845
Other instruction	756
Support services:	
Instructional staff services	2,343
Operation and maintenance of plant services	1,062
Transportation	13,749
	18,755
Unallocated depreciation	37,126
Total depreciation expense – governmental activities	55,881
Business type activities:	
Food services	777

7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	$	$	$	$	$
Governmental activities:					
Net OPEB liability	-	9,561	-	9,561	-
Business type activities:					
Net OPEB liability	-	435	-	435	-

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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were $50,412, $48,106, and $50,038 respectively, equal to the required contributions for each year.

9. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 22 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan through ISEBA. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	$
Annual required contribution	11,838
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	11,838
Contributions made	1,842
Increase in net OPEB obligation	9,996
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	9,996

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed $1,842 to the medical plan. Plan members eligible for benefits contributed $6,286, or 77% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
	$	%	$
June 30, 2010	11,838	15%	9,996

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was $75,023, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $75,023. The covered payroll (annual payroll of active employees covered by the plan) was approximately $718,000, and the ratio of the UAAL to covered payroll was 10.4%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost

trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 group annuity mortality table, projected to 2000. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized 30 years.

10. 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.

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 $63,012 for the year ended June 30, 2010, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

12. Financial Condition

The School Nutrition Fund has an unrestricted net assets deficit of $2,181 at June 30, 2010.

13. Lease Commitment

The District entered into a five-year contract to lease copy machines in fiscal year 2008. The remaining payments the District will make over the next two years are as follows:

Year Ended June 30	Lease Payment
	$
2011	7,932
2012	7,932

REQUIRED SUPPLEMENTARY INFORMATION

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	$	$	$	$	$	$
Revenues:						
Local sources	1,614,919	29,745	1,644,664	1,356,222	1,356,222	288,442
State sources	556,418	516	556,934	702,076	702,076	(145,142)
Federal sources	172,416	22,420	194,836	78,700	78,700	116,136
Total revenues	2,343,753	52,681	2,396,434	2,136,998	2,136,998	259,436
Expenditures/Expenses:						
Instruction	1,327,681	-	1,327,681	1,245,500	1,300,000	(27,681)
Support services	633,227	-	633,227	592,000	615,000	(18,227)
Non-instructional programs	-	49,965	49,965	73,500	81,000	31,035
Other expenditures	98,492	-	98,492	117,384	126,500	28,008
Total expenditures/expenses	2,059,400	49,965	2,109,365	2,028,384	2,122,500	13,135
Excess (deficiency) of revenues over (under) expenditures/expenses	284,353	2,716	287,069	108,614	14,498	272,571
Other financing sources (uses) net	17,270	-	17,270	-	-	17,270
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	301,623	2,716	304,339	108,614	14,498	289,841
Balance beginning of year	278,535	(3,986)	274,549	34,813	34,813	239,736
Balance end of year	580,158	(1,270)	578,888	143,427	49,311	529,577

See accompanying independent auditor's report

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

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 function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment, increasing budgeted expenditures by $94,116.

During the year ended June 30, 2010, the District exceeded the amounts budgeted in the instruction and support services functional areas.

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		$	$	$	%	$	%
2009	July 1, 2009	-	75,023	75,023	0.0%	718,000	10.4%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

	Special Revenue Funds			
Assets	Student Activity Fund	Physical Plant and Equipment Levy	Debt Service	Total
	$	$	$	$
Cash and pooled investments	6,275	57,213	-	63,488
Receivables:				
Property tax:				
Delinquent	-	1,713	-	1,713
Succeeding year	-	35,740	-	35,740
Interfund receivable	6,168	-	-	6,168
Total assets	12,443	94,666	-	107,109
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	417	661	-	1,078
Deferred revenue:				
Succeeding year property tax	-	35,740	-	35,740
Total liabilities	417	36,401	-	36,818
Fund balances:				
Unreserved reported in:				
Special revenue funds	12,026	58,265	-	70,291
Total liabilities and fund balances	12,443	94,666	-	107,109

See accompanying independent auditor's report.

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Special Revenue Funds			
	Student Activity Fund	Physical Plant and Equipment Levy	Debt Service	Total
	$	$	$	$
Revenues:				
Local sources:				
Local tax	-	43,009	-	43,009
Other	63,952	-	-	63,952
State sources	-	24	-	24
Total revenues	63,952	43,033	-	106,985
Expenditures:				
Current:				
Instruction:				
Other	75,713	-	-	75,713
Support services:				
Instructional staff	-	14,439	-	14,439
Transportation	-	76,413	-	76,413
Other expenditures:				
Facilities acquisition	-	29,420	-	29,420
Total expenditures	75,713	120,272	-	195,985
Excess (deficiency) of revenues over (under) expenditures	(11,761)	(77,239)	-	(89,000)
Other financing sources (uses):				
Sales of real property	-	9,020	-	9,020
Residual equity transfer out	-	-	(15,809)	(15,809)
Total other financing sources (uses)	-	9,020	(15,809)	(6,789)
Net change in fund balances	(11,761)	(68,219)	(15,809)	(95,789)
Fund balances beginning of year	23,787	126,484	15,809	166,080
Fund balances end of year	12,026	58,265	-	70,291

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	$	$	$	$	$
Interest	546	15	561	-	-
Student activities	(913)	2,527	6,558	4,764	(180)
Athletic resale	1,049	1,941	2,654	656	992
Athletics	1,182	26,139	27,804	(656)	(1,139)
Designated fund balance	30	-	-	(30)	-
Elementary music club	3,833	-	-	(3,833)	-
Elementary gym	989	250	1,239	-	-
SOS committee	376	-	89	-	287
Helping hands	228	-	228	-	-
Summer recreation	(30)	1,380	1,350	-	-
Cheerleaders	2	2,558	1,875	-	685
Music	1,968	-	1,968	-	-
Sound system	(2,108)	-	-	2,108	-
Student council	3,069	4,355	5,251	-	2,173
Honor society	(615)	664	49	-	-
Drama	739	6,141	5,987	-	893
Class of 2007	2,461	-	-	(2,461)	-
Class of 2009	1,124	-	1,124	-	-
Class of 2010	4,076	123	4,199	-	-
Class of 2011	5,033	4,869	5,546	-	4,356
Class of 2012	869	4,195	1,286	-	3,778
Class of 2013	-	622	441	-	181
Annual	(121)	8,173	7,504	(548)	-
Total	23,787	63,952	75,713	-	12,026

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, 2010

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	$	$	$	$
Assets				
Cash	20,750	16,139	18,885	18,004
Liabilities				
Accounts payable	-	497	-	497
Due to other governments	20,750	16,139	19,382	17,507
Total liabilities	20,750	16,636	19,382	18,004

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	$	$	$	$	$	$	$
Revenues:							
Local sources:							
Local tax	1,165,786	1,106,728	1,074,821	1,111,521	1,026,500	1,044,234	1,025,279
Tuition	278,241	178,262	36,128	87,066	77,493	85,940	96,848
Other	170,892	189,721	124,388	142,013	172,967	118,937	114,480
State sources	556,418	651,566	635,497	711,455	729,641	645,672	708,702
Federal sources	172,416	41,585	50,173	52,212	62,566	68,195	67,650
Total revenues	2,343,753	2,167,862	1,921,007	2,104,267	2,069,167	1,962,978	2,012,959
Expenditures:							
Instruction:							
Regular	823,396	723,291	841,822	746,777	784,451	787,915	840,820
Special	278,706	289,568	242,864	306,403	288,030	318,029	239,764
Other	225,579	250,627	150,929	164,231	165,440	130,625	127,864
Support services:							
Student	22,012	41,502	39,476	37,571	30,711	33,282	36,345
Instructional staff	25,039	20,107	23,248	36,582	19,526	27,699	47,093
Administration	257,426	216,332	180,296	214,093	226,946	193,670	216,073
Operation and maintenance	153,727	179,875	202,558	198,624	178,742	163,878	168,398
Transportation	175,023	104,888	98,711	84,624	102,459	73,580	90,122
Other expenditures:							
Facilities acquisition	35,480	67,826	48,140	55,280	76,315	100,459	40,095
Long-term debt:							
Principal	-	85,000	75,000	75,000	70,000	67,131	68,016
Interest and other charges	-	3,612	6,613	9,775	12,243	14,176	16,740
AEA flowthrough	63,012	54,996	53,113	53,183	51,795	51,615	53,419
Total expenditures	2,059,400	2,037,624	1,962,770	1,982,143	2,006,658	1,962,059	1,944,749

See accompanying independent auditor's report.

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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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 4, 2011. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Woden-Crystal Lake Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Woden-Crystal Lake Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 10-I-A, 10-I-B and 10-I-C to be material weaknesses.

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 and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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.

Woden-Crystal Lake Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Woden-Crystal Lake Community School District's responses and, accordingly, we express no opinion on them.

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, and 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

March 4, 2011

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

10-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 general journal adjustments, 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: We will continue to review our procedures and implement additional controls where possible

Conclusion: Response accepted.

10-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

10-I-C Financial Reporting: During the audit, we identified material amounts of ISCAP balances incorrectly recorded in the District's financial records. We also noted expenditures paid from the Physical Plant and Equipment Levy fund that should have been in General Fund and Proceeds from the sale of real estate receipted to the General Fund when they should have been receipted to the Physical Plant and Equipment Levy Fund. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Part I: Findings Related to the Financial Statements (continued):

Recommendation: The District should implement procedures to ensure all revenues and expenditures are posted to the correct fund and to make the appropriate adjustments for ISCAP.

District Response: We will double check these in the future to avoid missing any receivables, payables or ISCAP transactions.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

WODEN-CRYSTAL LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

Part II: Other Findings Related to Required Statutory Reporting:

10-II-A Certified Budget: Expenditures for the year ended June 30, 2010, exceeded the amounts budgeted in the instruction and support services functions.

Recommendation: The certified 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 did amend our budget but year-end expenditures were more than anticipated.

Conclusion: Response accepted.

10-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.

10-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.

10-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.

10-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.

10-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

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

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10-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

10-II-I Deposits and Investments: 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 were noted.

10-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

10-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

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

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, and then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

District Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

10-II-L Statewide Sales, Services and Use Tax: The District's revenue purpose statement allows the District to use its sales tax revenues for any purposes that are allowable for the Public Education and Recreation property tax levy. The District spent $23,930 of sales tax proceeds on a preschool program based on its determination that this would be allowable under the Public Education and Recreation property tax levy. The Iowa Department of Education issued Chapter 98 of the Administrative Code during the summer of 2009. Chapter 98 states that preschool programs are not allowable expenditures from the Public Educational and Recreational property tax levy.

Recommendation: The District should consult with its attorney to determine if expenditures for an after school program are allowable from sales tax proceeds.

District Response: We have consulted with our attorney.

Conclusion: Response accepted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

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

	$	$
Beginning balance		171,523
Statewide sales, services and use tax	79,972	
Interest revenue	8	79,980
Expenditures:		
Preschool	23,930	
School infrastructure:		
Land and land improvements	12,286	
Buildings and building improvements	3,275	38,696
Ending balance		212,807

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per $1,000 of Taxable Valuation	Property Tax Dollars
	$	$
Physical plant and equipment levy	1.2589	79,972

10-II-M Financial Condition: The School Nutrition Fund had a $2,181 deficit unrestricted net assets balance at June 30, 2010. The Student Activity Fund also has several accounts with deficit balances at June 30, 2010.

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. The negative fund balances were approximately 50% lower at June 30, 2009 than at June 30, 2008.

Conclusion: Response accepted.

10-II-N Allocation of Interest: We noted that interest from a pooled bank account is not being allocated to the Management, PPEL, Capital Projects, Debt Service and Nutrition Funds.

Recommendation: The District should allocate interest revenue to each fund within a pooled bank account.

District Response: We will review our procedures and make any necessary adjustments.

Conclusion: Response accepted.

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

10-II-O Signatures on Checks: All District checks are to be signed by the Board President and Board Secretary. The Board may designate another individual to sign for the Board President. We noted checks with the signatures of the Board Vice-President. The District could not locate board approval for the alternate signature.

Recommendation: The District should revise its check signing procedures. The board must approve any persons that will sign checks in lieu of the Board President.

District Response: We will review our procedures and make any changes necessary to be in compliance with Iowa law.

Conclusion: Response accepted.

10-II-P Reclassification of Student Activity Fund Accounts: In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. All Student Activity Fund accounts should relate to a specific student extracurricular activity. We noted that the Student Activity Fund has an account titled student activities that should be reclassified for each specific activity.

Recommendation: The District should review and reclassify this account to the appropriate fund in accordance with the guidelines.

District Response: We will review the activity in the account and make any necessary fund reclassifications.

Conclusion: Response accepted.

10-II-Q Interfund Loans: On October 22, 2009 the Iowa Department of Education issued a revised Declaratory Order covering interfund loans. The Order states that all loans between funds must be approved by the Board of Directors, interest must be paid on the interfund loan and the loan must be repaid before the October 1, after each year-end.

Recommendation: The District should follow the October 22, 2009 Declaratory Order with respect to the interfund loans between the General Fund and the Nutrition Fund and Student Activities Fund.

District Response: We will repay the loans.

Conclusion: Response accepted.