

WINTERSET COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2004

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Winterset Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 election)		
Randy Snyder	President	2004
Cindy Daggett	Vice President	2005
Chris Fairholm	Board Member	2003
Ray Parker	Board Member	2004
Chad Emanuel	Board Member	2005
Board of Education (After September 2003 election)		
Randy Snyder	President	2004
Cindy Daggett	Vice President	2005
Ray Parker	Board Member	2004
Chad Emanuel	Board Member	2005
Jeff Nicholl	Board Member	2006
School Officials		
Doyle F. Scott, Ph.D.	Superintendent	2004
Mary Jo Detrick	Business Manager/Board Secretary	2004
Ahlers Law Firm	Attorney	2004
Jerrold Oliver	Attorney	2004

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Winterset Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Winterset Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Winterset Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated September 23, 2004 on our consideration of the Winterset Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 39 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and

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presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Winterset Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

September 23, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Winterset 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, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$10,964,169 in fiscal year 2003 to \$11,135,103 in fiscal year 2004, while General Fund expenditures increased from \$10,493,957 in fiscal 2003 to \$10,922,131 in fiscal 2004. This resulted in an increase in the District's General Fund balance from \$865,038 in fiscal 2003 to \$1,078,010 in fiscal 2004, a 24.62% increase from prior year.
- The increase in General fund revenues was attributed to an increase in property tax and federal grant revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.
- The state granted a 2% increase in "allowable growth" for fiscal 2004. This was one of the lowest increases in the 30-year history of the school foundation aid formula, and compares to the 1% increase provided in fiscal year 2003.
- Overall, the District increased in net assets in the governmental activities \$1,011,752 and increased in the business-type activities \$17,397, respectively.

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 Winterset 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 Winterset 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 Winterset Community School District acts solely as an agent or custodial for the benefit of those outside of District government.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

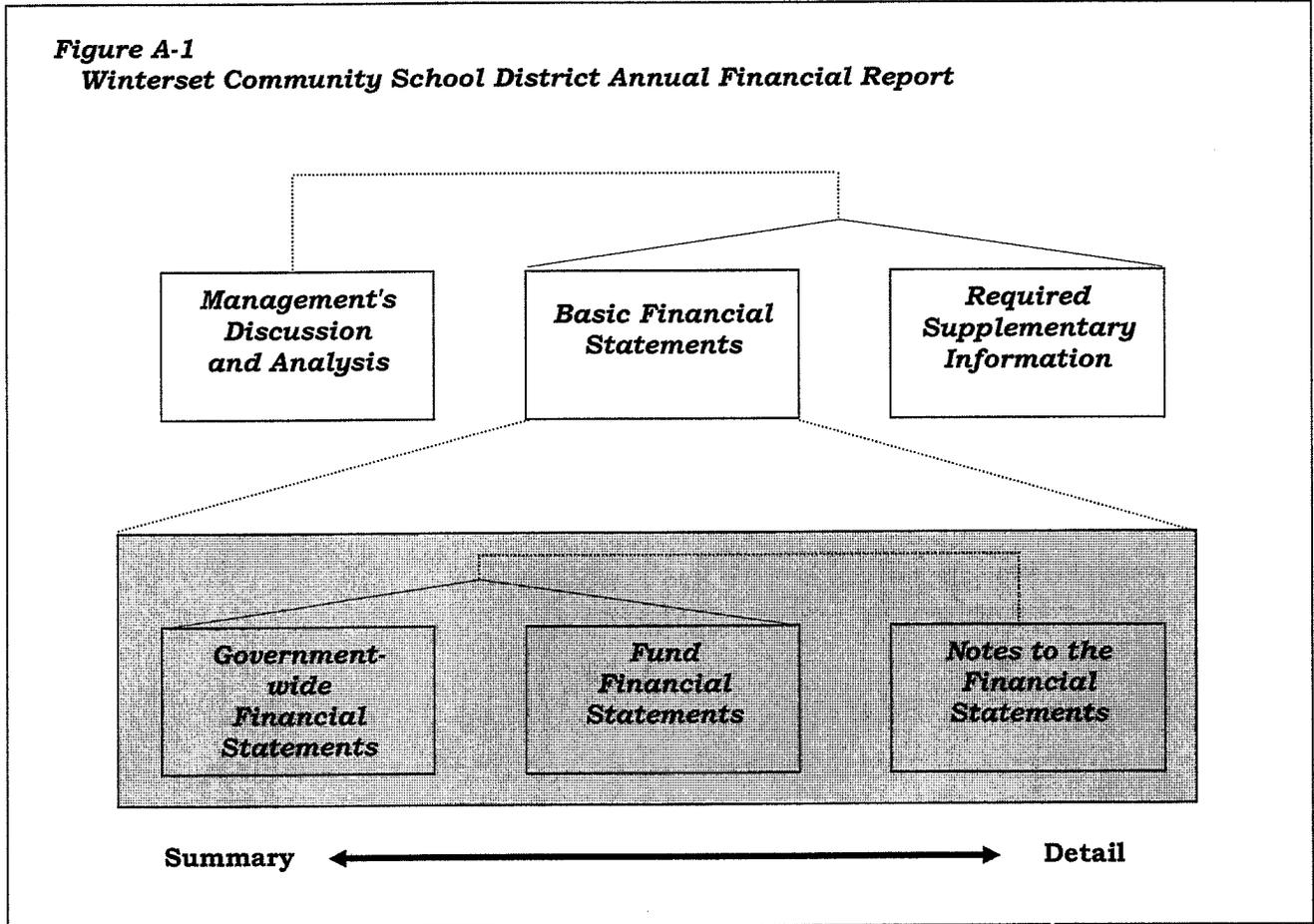


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

The required financial statements for 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 for the year ended June 30, 2004 compared to June 30, 2003.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business-type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-04
Current and other assets	\$ 9,774,704	10,199,607	119,661	107,515	9,894,365	10,307,122	-4.00%
Capital assets	8,615,623	8,605,776	27,422	21,923	8,643,045	8,627,699	0.18%
Total assets	18,390,327	18,805,383	147,083	129,438	18,537,410	18,934,821	-2.10%
Long-term obligations	4,734,133	5,337,873	0	0	4,734,133	5,337,873	-11.31%
Other liabilities	7,872,958	8,696,026	15,480	15,232	7,888,438	8,711,258	-9.45%
Total liabilities	12,607,091	14,033,899	15,480	15,232	12,622,571	14,049,131	-10.15%
Net assets:							
Invested in capital assets, net of related debt	4,462,031	3,451,594	27,422	21,923	4,489,453	3,473,517	29.25%
Restricted	140,953	305,396	0	0	140,953	305,396	-53.85%
Unrestricted	1,180,252	1,014,494	104,181	92,283	1,284,433	1,106,777	16.05%
Total net assets	\$ 5,783,236	4,771,484	131,603	114,206	5,914,839	4,885,690	21.06%

The District's combined net assets increased by 21.06%, or \$1,029,149, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets 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 \$164,443, or 53.85% over the prior year. The decrease was primarily a result of the District increase in early retirement payable and compensated absences from the Special Revenue, Management Fund and General Fund.

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 \$177,656, or 16.05%. This increase in unrestricted net assets was primarily a result of the District General Fund balance improving during the year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2004 compared to June 30, 2003.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	2004	2003	2004	2003	2004	2003	2003-04
Revenues:							
Program revenues:							
Charges for services	\$ 946,624	848,260	339,065	330,139	1,285,689	1,178,399	9.10%
Operating grants and contributions and restricted interest	1,254,824	1,284,266	204,072	172,240	1,458,896	1,456,506	0.16%
Capital grants and contributions and restricted interest	234,711	0	0	0	234,711	0	100.00%
General revenues:							
Property tax	5,081,692	4,737,178	0	0	5,081,692	4,737,178	7.27%
Unrestricted state grants	5,652,379	5,609,393	0	0	5,652,379	5,609,393	0.77%
Other	59,068	333,355	733	997	59,801	334,352	-82.11%
Total revenues	13,229,298	12,812,452	543,870	503,376	13,773,168	13,315,828	3.43%
Program expenses:							
Governmental activities:							
Instructional	7,683,402	7,688,408	0	0	7,683,402	7,688,408	-0.07%
Support services	3,560,814	3,307,827	0	0	3,560,814	3,307,827	7.65%
Non-instructional programs	8,089	7,375	526,473	501,296	534,562	508,671	5.09%
Other expenditures	965,241	836,023	0	0	965,241	836,023	15.46%
Total expenses	12,217,546	11,839,633	526,473	501,296	12,744,019	12,340,929	3.27%
Changes in net assets	1,011,752	972,819	17,397	2,080	1,029,149	974,899	5.56%
Beginning Net Assets	4,771,484	3,798,665	114,206	112,126	4,885,690	3,910,791	24.93%
Ending Net Assets	\$ 5,783,236	4,771,484	131,603	114,206	5,914,839	4,885,690	21.06%

The FY 04 total change in net assets increase of 5.56% is reflective of the increase of property taxes and federal source revenues over the increase in expenditures. During the year, the District received capital contributions from the foundation for a track project. Included in the other revenue account are: gain on sale of capital assets and unrestricted investment earnings. The net change of 82.11% is due to the decrease of unrestricted investment earnings and other revenues. An economic factor bearing on the future is the fact that the District will be receiving local option sales and services tax thanks to the voters of Madison County, which will increase net assets (See Page 13).

The largest program expenditure area change was in the other expenditures function area, which was primarily due to decreases in capital improvement expenditures under the capitalization threshold.

Governmental Activities

Revenues for governmental activities were \$13,229,298 and expenses were \$12,217,546.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 7,683,402	5,938,326
Support services	3,560,814	3,537,184
Non-instructional programs	8,089	8,089
Other expenses	965,241	297,788
Totals	<u>\$ 12,217,546</u>	<u>9,781,387</u>

- The cost financed by users of the District’s programs was \$946,624.
- Federal and state governments subsidized certain programs with grants and capital contributions totaling \$1,489,535.
- The net cost of governmental activities was financed with \$5,081,692 in local property tax, \$5,652,379 in state foundation aid, \$4,971 in gain on sale of capital assets and \$54,097 in interest income.

Business-Type Activities

Revenues of the District’s business-type activities were \$543,870 and expenses were \$526,473. The District’s business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,705,190, above last year’s ending fund balances of \$1,540,733. However, the primary reason for the increase in combined fund balances in fiscal 2004 is due to the improving position of the General Fund.

Governmental Fund Highlights

- The District’s growth in its General Fund financial position from \$865,038 in fiscal 2003 to \$1,078,010 in fiscal 2004 is the product of many factors. Revenues increased due to increases in property taxes and federal sources. The District’s increase in General Fund expenditures was primarily due to increased salary and benefits costs as well as operating costs.
- The Debt Service Fund balance decreased from \$173,933 to \$173,634 due to normal operations of paying debt principal and interest.

- The Management Fund balance decreased from \$110,020 to \$59,238. The Management Fund expenditures include early retirement benefits, property and liability insurance coverage, worker's compensation insurance and unemployment benefits. The District levies for retirement benefits the budget year following the expense.
- The Student Activity Fund balance decreased from \$165,621 to \$129,429 due to the variance of student activities from year to year.
- The Physical Plant and Equipment Levy Fund balance increased from \$193,876 in fiscal 2003 to \$238,750 in fiscal 2004 due to increased other revenues. The District follows a five-year capital improvement plan that is reviewed annually.
- The Capital Projects Fund balance decreased from \$32,245 in fiscal 2003 to \$26,129 in fiscal 2004 due to completion of two projects, including a track project and Elementary building roof project.

Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$114,206 at June 30, 2003, to \$131,603 at June 30, 2004, representing an increase of 15.23%.

BUDGETARY HIGHLIGHTS

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

The District's revenues were \$512,348 more than budgeted revenues, a variance of 3.94%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, 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.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$8.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.18% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$401,067.

The original cost of the District's capital assets was \$15.1 million. Governmental funds account for \$14.9 million with the remainder of \$0.2 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$498,114 at June 30, 2004,

compared to \$1,021,933 reported at June 30, 2003. This significant decrease resulted from the completion of the Elementary Roof and Track construction.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2004	2003	2004	2003	2004	2003	
Land	\$ 318,535	318,535	0	0	318,535	318,535	0.00%
Construction in progress	498,114	1,021,933	0	0	498,114	1,021,933	-51.26%
Buildings	6,832,385	6,712,206	0	0	6,832,385	6,712,206	1.79%
Land improvements	624,397	228,000	0	0	624,397	228,000	173.86%
Machinery and equipment	342,192	325,102	27,422	21,923	369,614	347,025	6.51%
Total	\$ 8,615,623	8,605,776	27,422	21,923	8,643,045	8,627,699	0.18%

Long-Term Debt

At June 30, 2004, the District had \$4,734,133 in general obligation and other long-term debt outstanding. This represents a decrease of 11.31% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding General Obligation Bonds of \$3,515,000 at June 30, 2004.

The District had outstanding Capital Loan Notes of \$1,035,000 payable from the Physical Plant and Equipment Fund at June 30, 2004.

The District had outstanding Early Retirement benefits of \$113,338 payable from the Special Revenue, Management Fund at June 30, 2004.

The District had outstanding Compensated Absences benefits of \$70,795 payable from the General Fund at June 30, 2004.

Figure A-7
Outstanding Long-Term Obligations

		Total		Total	
		School District			Change
		June 30,			
		2004	2003		2003-04
General obligation bonds	\$	3,515,000	3,970,000	-11.46%	
Capital loan notes		1,035,000	1,357,000	-23.73%	
Early retirement		113,338	10,873	942.38%	
Compensated absences		70,795	0	100.00%	
Totals	\$	4,734,133	5,337,873	-11.31%	

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced steady to slightly increasing enrollment for the past four years. The District expects continued increases in enrollment due to housing development in the city of Winterset and Madison County.
- Every year the District negotiates new agreements with the Winterset Community Education Association (WCEA) for teachers and the Winterset Educational Support Employees Association (WESEA) for support personnel. Any settlements in excess of “new money” or allowable growth in state funding will have an adverse effect on the District’s General Fund budget and related fund balance.
- Because the state’s economy is showing limited signs of economic recovery, this weaker economy adversely impacts the amount of new general fund money available to the District. The state legislature set a 2% allowable growth increase for FY 04, and was subsequently reduced by a 2.5% state aid reduction during the year. The state legislature also set a 2% allowable growth for the 2004-05 school year.
- The successful Local Option Sales and Services Tax election in Madison County will provide monies to fund capital improvement projects. The LOSST tax may also provide some monies for payment or retirement of outstanding bonds previously issued for school infrastructure purposes.

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 Ben M. Applegate, Board Secretary/Treasurer and Chief Financial Officer, Winterset Community School District, 224 E. Hwy 92, Suite B, PO Box 30, Winterset, Iowa, 50273-0030.

BASIC FINANCIAL STATEMENTS

WINTERSET COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP (Note 4)	\$ 2,160,332	0	2,160,332
Other	2,439,160	98,632	2,537,792
Receivables:			
Property tax:			
Delinquent	86,266	0	86,266
Succeeding year	4,651,685	0	4,651,685
Income surtax	238,661	0	238,661
Accounts	8,111	7,535	15,646
Accrued interest:			
ISCAP (Note 4)	3,823	0	3,823
Other	655	0	655
Due from other governments	186,011	0	186,011
Inventories	0	13,494	13,494
Capital assets, net of accumulated depreciation (Note 5)	8,615,623	27,422	8,643,045
TOTAL ASSETS	18,390,327	147,083	18,537,410
LIABILITIES			
Accounts payable	46,420	825	47,245
Salaries and benefits payable	955,587	7,409	962,996
ISCAP warrants payable (Note 4)	2,168,000	0	2,168,000
ISCAP interest payable (Note 4)	5,797	0	5,797
ISCAP unamortized premium	3,364	0	3,364
Accrued interest payable	42,105	0	42,105
Deferred revenue:			
Succeeding year property tax	4,651,685	0	4,651,685
Other	0	7,246	7,246
Long-term liabilities (Note 6):			
Portion due within one year:			
Bonds payable	470,000	0	470,000
Capital loan notes payable	335,000	0	335,000
Early retirement payable	24,147	0	24,147
Compensated absences	70,795	0	70,795
Portion due after one year:			
Bonds payable	3,045,000	0	3,045,000
Capital loan notes payable	700,000	0	700,000
Early retirement payable	89,191	0	89,191
TOTAL LIABILITIES	12,607,091	15,480	12,622,571
NET ASSETS			
Investment in capital assets, net of related debt	4,462,031	27,422	4,489,453
Restricted for:			
Talented and gifted	5,259	0	5,259
Early intervention	6,265	0	6,265
Other special revenue purposes	129,429	0	129,429
Unrestricted	1,180,252	104,181	1,284,433
TOTAL NET ASSETS	\$ 5,783,236	131,603	5,914,839

SEE NOTES TO FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 4,638,015	326,438	761,735	0
Special instruction	2,118,613	108,779	58,451	0
Other instruction	926,774	489,673	0	0
	<u>7,683,402</u>	<u>924,890</u>	<u>820,186</u>	<u>0</u>
Support services:				
Student services	351,605	0	0	0
Instructional staff services	343,632	0	0	0
Administration services	1,101,549	0	0	0
Operation and maintenance of plant services	1,215,124	0	0	0
Transportation services	548,904	21,734	1,896	0
	<u>3,560,814</u>	<u>21,734</u>	<u>1,896</u>	<u>0</u>
Non-instructional programs:				
Food service operations	8,089	0	0	0
	<u>8,089</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other expenditures:				
Facilities acquisitions	21,554	0	0	234,711
Long-term debt interest	240,914	0	0	0
AEA flowthrough	432,742	0	432,742	0
Depreciation(unallocated)*	270,031	0	0	0
	<u>965,241</u>	<u>0</u>	<u>432,742</u>	<u>234,711</u>
Total governmental activities	12,217,546	946,624	1,254,824	234,711
Business-Type activities:				
Non-instructional programs:				
Nutrition services	526,473	339,065	204,072	0
Total business-type activities	<u>526,473</u>	<u>339,065</u>	<u>204,072</u>	<u>0</u>
Total	<u>\$ 12,744,019</u>	<u>1,285,689</u>	<u>1,458,896</u>	<u>234,711</u>

General Revenues:
Property tax for:
 General purposes
 Debt service
 Capital outlay
Unrestricted state grants
Unrestricted investment earnings
Gain on disposal of assets

Total general revenues

Changes in net assets

Net assets beginning of year, as restated(Note 10)

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(3,549,842)	0	(3,549,842)
(1,951,383)	0	(1,951,383)
(437,101)	0	(437,101)
<u>(5,938,326)</u>	<u>0</u>	<u>(5,938,326)</u>
(351,605)	0	(351,605)
(343,632)	0	(343,632)
(1,101,549)	0	(1,101,549)
(1,215,124)	0	(1,215,124)
(525,274)	0	(525,274)
<u>(3,537,184)</u>	<u>0</u>	<u>(3,537,184)</u>
(8,089)	0	(8,089)
<u>(8,089)</u>	<u>0</u>	<u>(8,089)</u>
213,157	0	213,157
(240,914)	0	(240,914)
0	0	0
(270,031)	0	(270,031)
<u>(297,788)</u>	<u>0</u>	<u>(297,788)</u>
(9,781,387)	0	(9,781,387)
0	16,664	16,664
<u>0</u>	<u>16,664</u>	<u>16,664</u>
<u>(9,781,387)</u>	<u>16,664</u>	<u>(9,764,723)</u>
\$ 3,949,736	0	3,949,736
629,978	0	629,978
501,978	0	501,978
5,652,379	0	5,652,379
54,097	733	54,830
4,971	0	4,971
<u>10,793,139</u>	<u>733</u>	<u>10,793,872</u>
1,011,752	17,397	1,029,149
<u>4,771,484</u>	<u>114,206</u>	<u>4,885,690</u>
<u>\$ 5,783,236</u>	<u>131,603</u>	<u>5,914,839</u>

WINTERSET COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP (Note 4)	\$ 2,160,332	0	0	2,160,332
Other	1,827,412	161,734	450,014	2,439,160
Receivables:				
Property tax:				
Delinquent	61,751	11,769	12,746	86,266
Succeeding year	3,318,958	551,680	781,047	4,651,685
Income surtax	238,661	0	0	238,661
Accounts	7,707	0	404	8,111
Accrued interest:				
ISCAP (Note 4)	3,823	0	0	3,823
Other	491	131	33	655
Due from other governments	186,011	0	0	186,011
TOTAL ASSETS	\$ 7,805,146	725,314	1,244,244	9,774,704
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 40,793	0	5,627	46,420
Salaries and benefits payable	951,563	0	4,024	955,587
ISCAP warrants payable (Note 4)	2,168,000	0	0	2,168,000
ISCAP interest payable (Note 4)	5,797	0	0	5,797
ISCAP unamortized premium	3,364	0	0	3,364
Deferred revenue:				
Succeeding year property tax	3,318,958	551,680	781,047	4,651,685
Income surtax	238,661	0	0	238,661
Total liabilities	<u>6,727,136</u>	<u>551,680</u>	<u>790,698</u>	<u>8,069,514</u>
Fund balances:				
Reserved for:				
Debt service	0	173,634	0	173,634
Talented and gifted	5,259	0	0	5,259
Early intervention	6,265	0	0	6,265
Unreserved:				
Undesignated:				
General	1,066,486	0	0	1,066,486
Management levy	0	0	59,238	59,238
Physical plant and equipment levy	0	0	238,750	238,750
Other special revenue purposes	0	0	129,429	129,429
Capital projects	0	0	26,129	26,129
Total fund balances	<u>1,078,010</u>	<u>173,634</u>	<u>453,546</u>	<u>1,705,190</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,805,146	725,314	1,244,244	9,774,704

SEE NOTES TO FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2004

Total fund balances of governmental funds (page 17)	\$	1,705,190
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		8,615,623
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		238,661
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(42,105)
Long-term liabilities, including bonds payable, capital loan notes payable, early retirement payable, and compensated absences, are not due and payable in the current period, and, therefore, are not reported as liabilities in the governmental funds.		<u>(4,734,133)</u>
Net assets of governmental activities (page 14)	\$	<u>5,783,236</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,531,695	629,978	681,358	4,843,031
Tuition	435,217	0	0	435,217
Other	260,780	1,635	537,800	800,215
Intermediate sources	1,431	0	0	1,431
State sources	6,528,052	410	453	6,528,915
Federal sources	376,857	0	0	376,857
Total revenues	<u>11,134,032</u>	<u>632,023</u>	<u>1,219,611</u>	<u>12,985,666</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	4,550,249	0	23,305	4,573,554
Special instruction	2,104,456	0	0	2,104,456
Other instruction	613,337	0	311,048	924,385
	<u>7,268,042</u>	<u>0</u>	<u>334,353</u>	<u>7,602,395</u>
Support services:				
Student services	349,507	0	853	350,360
Instructional staff services	334,935	0	954	335,889
Administration services	1,045,659	0	9,713	1,055,372
Operation and maintenance of plant services	1,032,123	0	162,593	1,194,716
Transportation services	459,123	0	86,291	545,414
	<u>3,221,347</u>	<u>0</u>	<u>260,404</u>	<u>3,481,751</u>
Non-instructional programs:				
Food service operations	0	0	8,089	8,089
Other expenditures:				
Facilities acquisitions	0	0	284,342	284,342
Long-term debt:				
Principal	0	1,187,000	0	1,187,000
Interest and fiscal charges	0	235,961	0	235,961
AEA flowthrough	432,742	0	0	432,742
	<u>432,742</u>	<u>1,422,961</u>	<u>284,342</u>	<u>2,140,045</u>
Total expenditures	<u>10,922,131</u>	<u>1,422,961</u>	<u>887,188</u>	<u>13,232,280</u>
Excess (deficiency) of revenues over (under) expenditures	211,901	(790,938)	332,423	(246,614)
OTHER FINANCING SOURCES (USES):				
Proceeds on capital loan notes	0	0	410,000	410,000
Compensation for loss of fixed assets	321	0	0	321
Sale of equipment	750	0	0	750
Transfer in	0	790,639	0	790,639
Transfer out	0	0	(790,639)	(790,639)
	<u>1,071</u>	<u>790,639</u>	<u>(380,639)</u>	<u>411,071</u>
Net change in fund balances	212,972	(299)	(48,216)	164,457
Fund balance beginning of year	865,038	173,933	501,762	1,540,733
Fund balance end of year	<u>\$ 1,078,010</u>	<u>173,634</u>	<u>453,546</u>	<u>1,705,190</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2004

Net change in fund balances - total governmental funds (page 19) \$ 164,457

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceed depreciation expense and loss on disposal in the current year, as follows:

Expenditures for capital assets	\$ 404,061	
Depreciation expense	<u>(394,214)</u>	9,847

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 238,661

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	\$ (410,000)	
Repaid	<u>1,187,000</u>	<u>777,000</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	\$ (102,465)	
Compensated Absences	<u>(70,795)</u>	<u>(173,260)</u>

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(4,953)

Changes in net assets of governmental activities (page 16) \$ 1,011,752

SEE NOTES TO FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

	<u>School Nutrition</u>
ASSETS	
Cash and cash equivalents:	\$ 98,632
Receivables:	
Accounts	7,535
Inventories	13,494
Capital assets, net of accumulated depreciation (Note 5)	27,422
TOTAL ASSETS	<u>147,083</u>
LIABILITIES	
Accounts payable	825
Salaries and benefits payable	7,409
Deferred revenue:	
Other	7,246
TOTAL LIABILITIES	<u>15,480</u>
NET ASSETS	
Investment in capital assets, net of related debt	27,422
Unrestricted	104,181
TOTAL NET ASSETS	<u>\$ 131,603</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2004

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 339,065
TOTAL OPERATING REVENUES	339,065
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	204,584
Benefits	54,823
Services	5,816
Supplies	254,397
Depreciation	6,853
TOTAL OPERATING EXPENSES	526,473
OPERATING LOSS	(187,408)
NON-OPERATING REVENUES:	
State sources	7,821
Federal sources	196,251
Interest income	733
TOTAL NON-OPERATING REVENUES	204,805
Change in net assets	17,397
Net assets beginning of year	114,206
Net assets end of year	\$ 131,603

SEE NOTES TO FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 337,919
Cash payments to employees for services	(259,249)
Cash payments to suppliers for goods or services	(233,145)
Net cash used in operating activities	(154,475)
Cash flows from non-capital financing activities:	
State grants received	7,821
Federal grants received	170,312
Net cash provided by non-capital financing activities	178,133
Cash flows from capital financing activities:	
Acquisition of capital assets	(12,352)
Net cash used in capital financing activities	(12,352)
Cash flows from investing activities:	
Interest on investments	733
Net cash provided by investing activities	733
Net increase in cash and cash equivalents	12,039
Cash and cash equivalents at beginning of year	86,593
Cash and cash equivalents at end of year	\$ 98,632
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (187,408)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	25,939
Depreciation	6,853
Decrease in inventories	304
Increase in accounts receivable	(411)
Increase in accounts payable	825
Increase in salaries and benefits payable	158
Decrease in deferred revenue	(735)
Net cash used in operating activities	\$ (154,475)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 98,632
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	

During the year ended June 30, 2004, the District received Federal commodities valued at \$25,939.

SEE NOTES TO FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2004

	<u>Private Purpose Trust</u>	<u>Agency</u>
	<u>Scholarship</u>	
ASSETS		
Cash and pooled investments	\$ 221,957	(1,284)
Receivables:		
Accounts	0	22,257
	<u>221,957</u>	<u>20,973</u>
LIABILITIES		
Accounts payable	0	20,973
NET ASSETS		
Reserved for scholarships	<u>\$ 221,957</u>	<u>0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2004

		<u>Private Purpose</u>	<u>Trust</u>	<u>Scholarship</u>
Additions:				
Local sources:				
Gifts and contributions	\$	4,500		
Interest income		1,303		
Total additions		<u>5,803</u>		
Deductions:				
Support services:				
Scholarships awarded			9,042	
Change in net assets			(3,239)	
Net assets beginning of year			<u>225,196</u>	
Net assets end of year	\$		<u><u>221,957</u></u>	

SEE NOTES TO FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

(1) **Summary of Significant Accounting Policies**

The Winterset Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Winterset, Iowa, and the predominate agricultural territory in Madison County. 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, Winterset Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Winterset Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Debt Service Fund is utilized to account for bond and capital loan notes principal and interest payments.

The District reports the following proprietary fund:

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

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

The Private-purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for extra duties and curriculum work for the current school year, which is paid in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, expenditures in the non-instructional programs functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$1,610,458 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

(3) Transfers

The detail of transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue: Physical Plant and Equipment Levy	<u>\$ 790,639</u>

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

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04B	1/30/04	1/28/05	\$ 702,753	3,823	698,000	5,797
2004-05A	6/30/04	6/30/05	1,457,579	0	1,470,000	0
Total			<u>\$ 2,160,332</u>	<u>3,823</u>	<u>2,168,000</u>	<u>5,797</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn,

then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund was noted for the year ended June 30, 2004 is as follows:

Series	Balance		Balance	
	Beginning of Year	Advances Received	Advances Repaid	End of Year
2003-04A	\$ 0	285,000	285,000	0

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04A	2.000%	1.050%
2003-04B	2.250%	1.392%
2004-05A	3.000%	2.463%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance			Balance End of Year
	Beginning of Year, as Restated (Note 10)	Increases	Decreases	
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 318,535	0	0	318,535
Construction in progress	1,021,933	4,069	527,888	498,114
Total capital assets not being depreciated	1,340,468	4,069	527,888	816,649
Capital assets being depreciated:				
Buildings	10,742,406	341,901	0	11,084,307
Land improvements	528,203	444,706	0	972,909
Machinery and equipment	1,923,701	141,273	68,130	1,996,844
Total capital assets being depreciated	13,194,310	927,880	68,130	14,054,060
Less accumulated depreciation for:				
Buildings	4,030,200	221,722	0	4,251,922
Land improvements	300,203	48,309	0	348,512
Machinery and equipment	1,598,599	124,183	68,130	1,654,652
Total accumulated depreciation	5,929,002	394,214	68,130	6,255,086
Total capital assets being depreciated, net	7,265,308	533,666	0	7,798,974
Governmental activities capital assets, net	\$ 8,605,776	537,735	527,888	8,615,623

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 245,982	12,352	6,185	252,149
Less accumulated depreciation	224,059	6,853	6,185	224,727
Business-type activities capital assets, net	\$ 21,923	5,499	0	27,422

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular			\$ 1,707
Special			1,405
Support services:			
Administration			1,980
Operation and maintenance of plant			9,852
Transportation			109,239
			<u>124,183</u>
Unallocated depreciation			<u>270,031</u>
Total governmental activities depreciation expense			<u>\$ 394,214</u>
Business-type activities:			
Food services			\$ 6,853
Total business-type activities depreciation expense			<u>\$ 6,853</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 3,970,000	0	455,000	3,515,000	470,000
Capital loan notes	1,357,000	410,000	732,000	1,035,000	335,000
Early retirement	10,873	107,016	4,551	113,338	24,147
Compensated absences	0	70,795	0	70,795	70,795
	<u>\$ 5,337,873</u>	<u>587,811</u>	<u>1,191,551</u>	<u>4,734,133</u>	<u>899,942</u>

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 1998			
	Interest Rates	Principal	Interest	Total
2005	4.30 % \$	470,000	157,685	627,685
2006	4.35	490,000	137,475	627,475
2007	4.40	515,000	116,160	631,160
2008	4.50	545,000	93,500	638,500
2009	4.60	530,000	68,975	598,975
2010	4.60	555,000	44,595	599,595
2011	4.65	410,000	19,065	429,065
Total		\$ 3,515,000	637,455	4,152,455

Capital Loan Notes Payable

Details of the District's June 30, 2004 capital loan note indebtedness are as follows:

Year Ending June 30,	2002 Series A			2004 Series A		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2005	3.50 % \$	200,000	21,875	2.75 % \$	67,500	5,403
2006	3.50	205,000	14,875	2.75	67,500	3,781
2007	3.50	220,000	7,700	2.75	70,000	1,925
Total		\$ 625,000	44,450		\$ 205,000	11,109

Year Ending June 30,	2004 Series B			Total	
	Interest Rates	Principal	Interest	Principal	Interest
2005	2.75 % \$	67,500	5,403	\$ 335,000	32,681
2006	2.75	67,500	3,781	340,000	22,437
2007	2.75	70,000	1,925	360,000	11,550
Total		\$ 205,000	11,109	\$ 1,035,000	66,668

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five to sixty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 35% of the employee's salary calculated by using the salary in effect the last year of the employee's employment with the school district. Early retirement benefits paid during the year ended June 30, 2004, totaled \$4,551 and were paid by the Special Revenue, Management Levy Fund. A liability has been recorded on the government-wide financial statements, Statement of Net Assets representing the District's commitment to fund non-current liabilities.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by

State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$457,008, \$445,341 and \$423,703 respectively, equal to the required contributions for each year.

(8) Risk Management

Winterset Community School District is a member in the Iowa School Employees Benefits Association, and Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

Each member's contributions to ISEBA funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a GAAP basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004, were \$615,997.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

Winterset Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction

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

(9) 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 \$432,742 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Restate Capital Assets/Net Assets Beginning Balances

Beginning capital assets for governmental activities of \$8,746,349 were restated to \$8,605,776. The restatement primarily removed assets to equal current listing of assets over the capitalization threshold of \$5,000.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Balance Beginning of Year	Increases	Decreases	Balance Beginning of Year, as restated
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 318,761	0	226	318,535
Construction in progress	1,021,933	0	0	1,021,933
Total capital assets not being depreciated	<u>1,340,694</u>	<u>0</u>	<u>226</u>	<u>1,340,468</u>
Capital assets being depreciated:				
Buildings	10,747,072	0	4,666	10,742,406
Land improvements	539,116	0	10,913	528,203
Machinery and equipment	3,598,013	0	1,674,312	1,923,701
Total capital assets being depreciated	<u>14,884,201</u>	<u>0</u>	<u>1,689,891</u>	<u>13,194,310</u>
Less accumulated depreciation for:				
Buildings	4,034,866	0	4,666	4,030,200
Land improvements	308,015	0	7,812	300,203
Machinery and equipment	3,135,665	0	1,537,066	1,598,599
Total accumulated depreciation	<u>7,478,546</u>	<u>0</u>	<u>1,549,544</u>	<u>5,929,002</u>
Total capital assets being depreciated, net	<u>7,405,655</u>	<u>0</u>	<u>140,347</u>	<u>7,265,308</u>
Governmental activities capital assets, net	<u>\$ 8,746,349</u>	<u>0</u>	<u>140,573</u>	<u>8,605,776</u>

Net assets, June 30, 2003, as previously reported	\$ 4,912,057
Capital asset adjustments, net	<u>(140,573)</u>
Net assets, July 1, 2003, as restated	<u>\$ 4,771,484</u>

(11) Construction Commitments

The District has entered into contracts totaling \$524,284 for a new high school roof project. As of June 30, 2004, costs of \$498,114 had been incurred against the contracts. The balance of \$26,170 remaining at June 30, 2004, will be paid as work on this project progresses.

(12) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2004, disbursements in the non-instructional functional program area exceeded the amount budgeted.

REQUIRED SUPPLEMENTAL INFORMATION

WINTERSET COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 6,078,463	339,798
Intermediate sources	1,431	0
State sources	6,528,915	7,821
Federal sources	376,857	196,251
Total revenues	<u>12,985,666</u>	<u>543,870</u>
Expenditures:		
Instruction	7,602,395	0
Support services	3,481,751	0
Non-instructional programs	8,089	526,473
Other expenditures	2,140,045	0
Total expenditures	<u>13,232,280</u>	<u>526,473</u>
Excess(deficiency) of revenues over(under) expenditures	(246,614)	17,397
Other financing sources, net	<u>411,071</u>	<u>0</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures	164,457	17,397
Balance beginning of year	<u>1,540,733</u>	<u>114,206</u>
Balance end of year	<u>\$ 1,705,190</u>	<u>131,603</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
6,418,261	5,874,765	5,874,765	543,496
1,431	0	0	1,431
6,536,736	6,705,888	6,705,888	(169,152)
573,108	436,535	436,535	136,573
<u>13,529,536</u>	<u>13,017,188</u>	<u>13,017,188</u>	<u>512,348</u>
7,602,395	7,647,375	7,697,375	94,980
3,481,751	3,480,552	3,581,247	99,496
534,562	532,500	532,500	(2,062)
2,140,045	1,852,981	2,165,693	25,648
<u>13,758,753</u>	<u>13,513,408</u>	<u>13,976,815</u>	<u>218,062</u>
(229,217)	(496,220)	(959,627)	730,410
411,071	0	0	411,071
181,854	(496,220)	(959,627)	1,141,481
1,654,939	1,428,269	1,428,269	226,670
<u>1,836,793</u>	<u>932,049</u>	<u>468,642</u>	<u>1,368,151</u>

WINTERSSET COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2004

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$463,407.

During the year ended June 30, 2004, expenditures in the non-instructional programs functional area exceeded the amount budgeted.

OTHER SUPPLEMENTAL INFORMATION

WINTERSET COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Special Revenue Funds					Total
	Management	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 59,861	133,077	230,947	423,885	26,129	450,014
Receivables:						
Property tax:						
Current year delinquent	3,368	0	9,378	12,746	0	12,746
Succeeding year	270,000	0	511,047	781,047	0	781,047
Accounts	0	404	0	404	0	404
Accrued interest	33	0	0	33	0	33
TOTAL ASSETS	\$ 333,262	133,481	751,372	1,218,115	26,129	1,244,244
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts payable	\$ 0	4,052	1,575	5,627	0	5,627
Salaries and benefits payable	4,024	0	0	4,024	0	4,024
Deferred revenue:						
Succeeding year property tax	270,000	0	511,047	781,047	0	781,047
	274,024	4,052	512,622	790,698	0	790,698
Fund equity:						
Fund balances:						
Unreserved:						
Undesignated	59,238	129,429	238,750	427,417	26,129	453,546
Total fund balances	59,238	129,429	238,750	427,417	26,129	453,546
TOTAL LIABILITIES AND FUND EQUITY	\$ 333,262	133,481	751,372	1,218,115	26,129	1,244,244

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

	Special Revenue Funds					Total
	Management	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 179,380	0	501,978	681,358	0	681,358
Other	527	274,842	74,336	349,705	188,095	537,800
State sources	126	0	327	453	0	453
TOTAL REVENUES	180,033	274,842	576,641	1,031,516	188,095	1,219,611
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	23,305	0	0	23,305	0	23,305
Other instruction	14	311,034	0	311,048	0	311,048
Support services:						
Student support	853	0	0	853	0	853
Instructional staff support	954	0	0	954	0	954
Administration services	7,060	0	2,653	9,713	0	9,713
Operation and maintenance of plant services	157,814	0	4,779	162,593	0	162,593
Student transportation	32,726	0	53,565	86,291	0	86,291
Non-instructional programs:						
Food service operations	8,089	0	0	8,089	0	8,089
Other:						
Facilities acquisition	0	0	90,131	90,131	194,211	284,342
TOTAL EXPENDITURES	230,815	311,034	151,128	692,977	194,211	887,188
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(50,782)	(36,192)	425,513	338,539	(6,116)	332,423
OTHER FINANCING SOURCES (USES):						
Proceeds on capital loan notes	0	0	410,000	410,000	0	410,000
Transfer out	0	0	(790,639)	(790,639)	0	(790,639)
	0	0	(380,639)	(380,639)	0	(380,639)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(50,782)	(36,192)	44,874	(42,100)	(6,116)	(48,216)
FUND BALANCE BEGINNING OF YEAR	110,020	165,621	193,876	469,517	32,245	501,762
FUND BALANCE END OF YEAR	\$ 59,238	129,429	238,750	427,417	26,129	453,546

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Elementary School:				
Interest	\$ 2,990	86	0	3,076
Champs	1,984	0	690	1,294
PTO	32,171	17,355	49,526	0
Memory Book	686	2,590	2,311	965
	<u>37,831</u>	<u>20,031</u>	<u>52,527</u>	<u>5,335</u>
Middle School:				
Interest	2,457	280	0	2,737
Band Resale	0	2,501	3,248	(747)
Champs	1,518	575	412	1,681
Field Trips	0	571	571	0
Magazine Fund	18,785	40,826	36,814	22,797
Recorders	17	8	0	25
Honor Club	0	1,023	1,023	0
Fruit Sales	0	4,579	4,579	0
Tech Projects	224	0	0	224
Supply Hut	0	149	209	(60)
Vocal	0	182	182	0
Band	0	2,311	2,311	0
Activity Tickets	4,522	4,985	2,034	7,473
Uniform	3,766	0	0	3,766
Cross Country	7	67	74	0
Boys Basketball	0	824	824	0
Football	0	1,082	1,082	0
Boys Track	0	729	729	0
Wrestling	11	392	403	0
Girls Basketball	0	433	433	0
Volleyball	0	928	928	0
Girls Track	0	150	150	0
Cheerleaders	1,235	0	0	1,235
Yearbook	844	2,009	2,259	594
Student Council	1,129	192	762	559
TSA	936	1,267	1,121	1,082
	<u>35,451</u>	<u>66,063</u>	<u>60,148</u>	<u>41,366</u>
High School:				
Activity Tickets	(7,750)	18,848	10,804	294
Interest	1,291	710	2,001	0
Band Resale	133	893	1,837	(811)
Cap and Gown	92	0	92	0
Champs	142	463	436	169
Concessions	4,038	6,974	8,531	2,481
Pop Machine	1,872	6,007	13,425	(5,546)
Play	0	3,573	3,169	404
Speech	0	0	185	(185)
Debate	175	2,181	2,341	15
Vocal	1,696	6,891	12,298	(3,711)

WINTERSSET COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
High School (Continued):				
Band	1,329	8,333	9,662	0
Color Guard	178	95	71	202
Uniforms	2,769	5,148	6,795	1,122
Weightlifting	1,598	1,159	2,477	280
Cross Country	1,641	990	1,014	1,617
Boys Basketball	3,355	3,606	4,561	2,400
Football	14,211	14,707	17,606	11,312
Coupon	22	0	22	0
Boys Soccer	3,808	5,556	7,938	1,426
Baseball	0	5,259	4,769	490
Boys Track	0	2,264	2,366	(102)
Wrestling	3,628	10,458	9,645	4,441
Girls Basketball	4,411	4,437	3,268	5,580
Volleyball	2,537	3,423	3,907	2,053
Girls Soccer	356	12,067	10,262	2,161
Softball	1,374	5,597	7,220	(249)
Girls Track	0	1,357	1,459	(102)
Cheerleaders	2,980	8,555	10,136	1,399
Girls Golf	0	16	16	0
Drill Team	3,009	2,410	4,069	1,350
Class of 2000	1,029	0	0	1,029
Class of 2001	1,207	0	0	1,207
Class of 2002	821	0	0	821
Class of 2004	3,744	175	1,186	2,733
Class of 2005	3,454	4,408	4,601	3,261
Class of 2006	2,188	3,341	580	4,949
Class of 2007	0	1,925	103	1,822
Class of 2008	0	500	0	500
AFS	365	1,020	1,009	376
Boomerang	5,320	7,449	8,344	4,425
FBLA	918	1,172	263	1,827
FCCLA	3,024	112	105	3,031
MOC	100	352	247	205
NHS	(301)	301	0	0
Pep Club	4,299	5,316	5,914	3,701
Renaissance	373	0	199	174
SADD	134	0	0	134
Science Club	1,014	740	485	1,269
Student Council	318	325	365	278
TSA	1,068	1,774	1,961	881
WHS-TV	10,595	7,137	9,310	8,422
Y-Teen	3,774	1,496	814	4,456
FFA	0	9,228	491	8,737
	<u>92,339</u>	<u>188,748</u>	<u>198,359</u>	<u>82,728</u>
Total	<u>\$ 165,621</u>	<u>274,842</u>	<u>311,034</u>	<u>129,429</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2004

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ (1,631)	95,375	95,028	(1,284)
Receivables:				
Accounts	1,631	22,257	1,631	22,257
	<u>\$ 0</u>	<u>117,632</u>	<u>96,659</u>	<u>20,973</u>
LIABILITIES				
Accounts payable	\$ 0	117,632	96,659	20,973

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 4,843,031	4,737,178	4,478,496	4,190,286
Tuition	435,217	403,430	307,450	255,703
Other	800,215	774,362	537,934	691,676
Intermediate sources	1,431	3,422	0	0
State sources	6,528,915	6,603,697	6,277,125	6,882,180
Federal sources	376,857	290,180	276,510	239,677
Total	\$ 12,985,666	12,812,269	11,877,515	12,259,522
Expenditures:				
Instruction:				
Regular instruction	\$ 4,573,554	4,473,533	4,554,800	4,547,576
Special instruction	2,104,456	1,912,833	1,635,018	1,666,332
Other instruction	924,385	991,563	908,389	840,327
Support services:				
Student services	350,360	354,185	420,368	393,975
Instructional staff services	335,889	330,199	356,480	364,430
Administration services	1,055,372	1,048,812	1,069,712	1,275,417
Operation and maintenance of plant services	1,194,716	1,049,166	1,097,359	1,141,374
Transportation services	545,414	471,362	438,979	413,588
Central support services	0	0	648	0
Non-instructional programs	8,089	7,375	5,683	4,784
Other expenditures:				
Facilities acquisitions	284,342	463,481	919,045	73,305
Long-term debt:				
Principal	1,187,000	732,000	552,000	527,000
Interest and other charges	235,961	274,056	252,252	274,904
AEA flow-through	432,742	454,395	452,591	477,247
Total	\$ 13,232,280	12,562,960	12,663,324	12,000,259

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 04	\$ <u>25,939</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 04	18,278
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 04	<u>152,034</u>
			<u>170,312</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	7056-G	<u>146,564</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.298	FY 04	<u>7,900</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 04	<u>5,693</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 04	<u>56,748</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 04	<u>15,954</u>
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES (TITLE VI A)	84.369	FY 04	<u>9,618</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 04	<u>58,451</u>
TITLE I ACCOUNTABILITY (DATA DRIVEN LEADERSHIP)	84.027	FY 04	<u>3,600</u>
ENHANCING EDUCATION THROUGH TECHNOLOGY (E2T2)	84.318	FY 04	<u>2,847</u>

WINTERSET COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT (CONTINUED):			
UNIVERSITY OF IOWA:			
IOWA EXCELLANCE PROGRAM	84.215K	FY 04	1,200
TOTAL			\$ 504,826

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Winterset Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Board of Education of the
Winterset Community School District:

We have audited the financial statements of Winterset Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 23, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 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. Prior year statutory comments have all been resolved except item IV-B-04.

Internal Control Over Financial Reporting

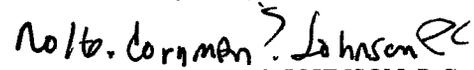
In planning and performing our audit, we considered Winterset Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in

the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item II-A-04.

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

September 23, 2004

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance

To the Board of Education of
Winterset Community School District

Compliance

We have audited the compliance of Winterset Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Winterset Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Winterset Community School District's management. Our responsibility is to express an opinion on Winterset Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winterset Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Winterset Community School District's compliance with those requirements.

In our opinion, Winterset Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Winterset Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Winterset Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Winterset Community School District's ability to administer a major

federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item III-A-04 is a material weakness.

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

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

September 23, 2004

WINTERSSET COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Individual
 - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Winterset Community School District did not qualify as a low-risk auditee.

WINTERSET COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-04 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash disbursements and cash receipts were done by the same person.

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

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

Conclusion - Response accepted.

II-B-04 Student Activity Fund - We noted during our audit that the Special Revenue - Student Activity Fund included an Interest account. We also noted several class accounts that had balances at year end.

Recommendation - The District should close the Interest account and allocate the interest income received in future years in the Student Activity Fund to the various accounts of which make up the investment balance. This allocation needs to occur at least annually. The District should close the class accounts upon graduation.

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

Conclusion - Response accepted.

WINTERSET COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2004
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
Agency Numbers: 6854-G
Federal Award Year: 2004
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-04 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash disbursements and cash receipts were done by the same person.

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

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

Conclusion - Response accepted.

WINTERSET COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part IV: Other Findings Related to Statutory Reporting

IV-A-04 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget - District disbursements for the year ended June 30, 2004 exceeded the amount budgeted in the non-instructional programs functional area.

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

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

Conclusion - Response accepted.

IV-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-E-04 Business Transactions - No business transactions between the District and District officials were noted.

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

IV-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

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

Response - We will provide the minutes within the time period required, however, we are unable to control the publishing dates.

Conclusion - Response accepted.

IV-H-04 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

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

IV-J-03 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely. However, we noted no significant deficiencies in the amounts reported.

Recommendation - The District should submit the Certified Annual Report in a timely manner in the future.

Response - We will comply with this recommendation. The State was aware of this due to certain circumstances.

Conclusion - Response accepted.