

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

JUNE 30, 2005

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Winterset Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 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
Board of Education (After September 2004 election)		
Randy Snyder	President	2007
Cindy Daggett	Vice President	2005
Gretchen Holcomb	Board Member	2007
Chad Emanuel	Board Member	2005
Jeff Nicholl	Board Member	2006
School Officials		
Doyle F. Scott, Ph.D.	Superintendent	2005
Ben M. Applegate	Business Manager/Board Secretary	2005
Ahlers Law Firm	Attorney	2005

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

INDEPENDENT AUDITOR'S REPORT

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

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

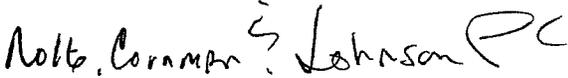
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

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

In accordance with Government Auditing Standards, we have also issued our reports dated February 8, 2006 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 grant agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. 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 two years ended June 30, 2003 (which are not presented herein) and expressed an unqualified opinion on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, 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.

February 8, 2006

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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$11,134,032 in fiscal year 2004 to \$11,480,548 in fiscal year 2005, while General Fund expenditures increased from \$10,922,131 in fiscal 2004 to \$11,684,296 in fiscal 2005. This resulted in a decrease in the District's General Fund balance from \$1,078,010 in fiscal 2004 to \$874,262 in fiscal 2005, an 18.90% decrease from prior year.
- The increase in General fund revenues was attributed to an increase in property tax and state grant revenue in fiscal 2005. Property taxes increased due to a 2.6% increase in taxable values. The increase in expenditures was due primarily to an increase in the negotiated salaries and benefits.
- Overall, the District increased in net assets in the governmental activities \$1,018,117 and decreased in the business-type activities \$2,204, 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 School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds. 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.

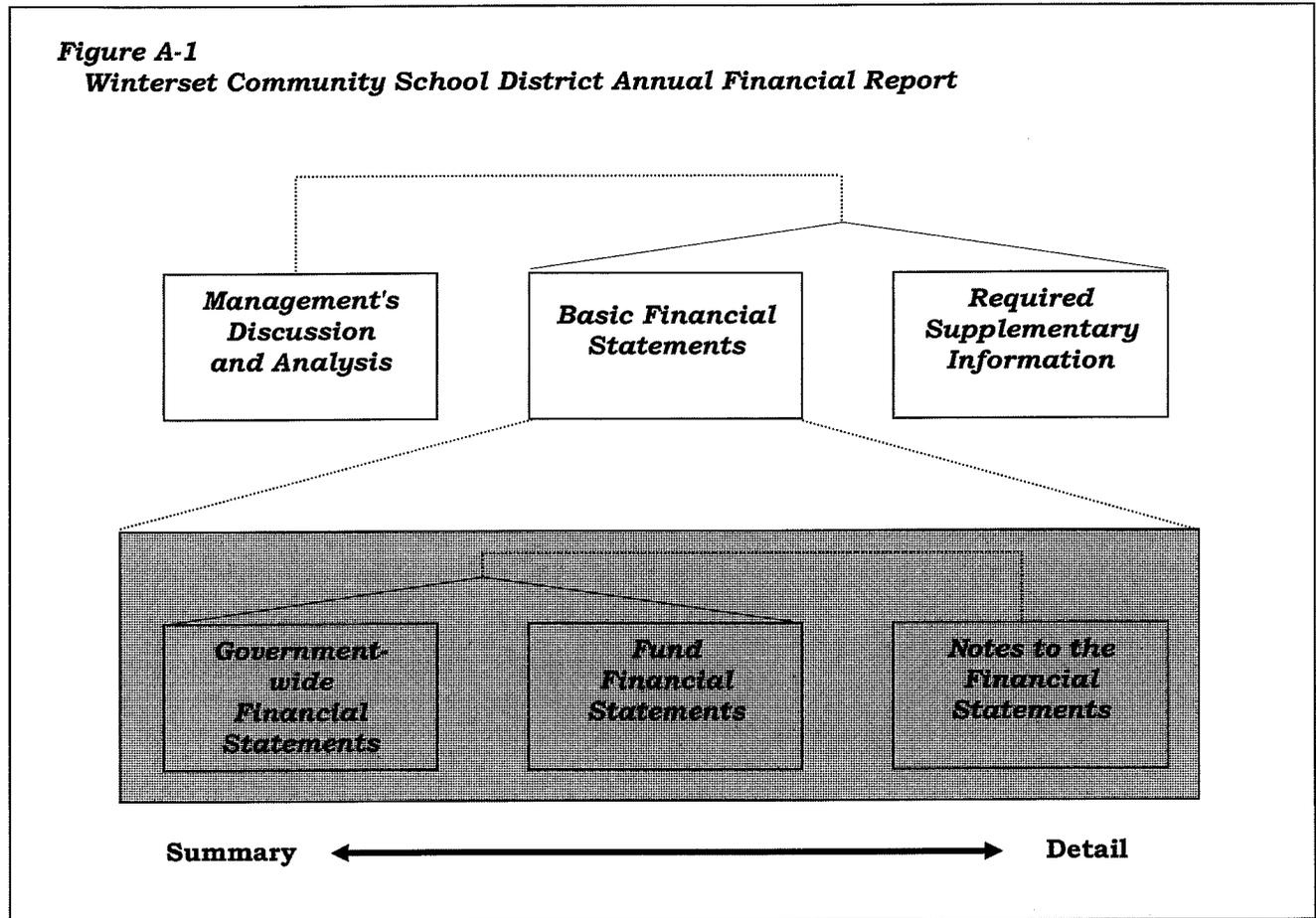


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, 2005 compared to June 30, 2004.

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,
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 8,928,516	9,774,704	118,126	119,661	9,046,642	9,894,365	-8.57%
Capital assets	8,490,097	8,615,623	22,274	27,422	8,512,371	8,643,045	-1.51%
Total assets	17,418,613	18,390,327	140,400	147,083	17,559,013	18,537,410	-5.28%
Long-term obligations	3,954,082	4,734,133	0	0	3,954,082	4,734,133	-16.48%
Other liabilities	6,663,178	7,872,958	11,001	15,480	6,674,179	7,888,438	-15.39%
Total liabilities	10,617,260	12,607,091	11,001	15,480	10,628,261	12,622,571	-15.80%
Net assets:							
Invested in capital assets, net of related debt	5,697,881	4,462,031	22,274	27,422	5,720,155	4,489,453	27.41%
Restricted	149,103	140,953	0	0	149,103	140,953	5.78%
Unrestricted	954,369	1,180,252	107,125	104,181	1,061,494	1,284,433	-17.36%
Total net assets	\$ 6,801,353	5,783,236	129,399	131,603	6,930,752	5,914,839	17.18%

The District’s combined net assets increased by 17.18%, or \$1,015,913, 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 increased \$8,150, or 5.78% over the prior year. The increase was primarily a result of the District increase in grant carryover balances as well as the increase in the Special Revenue, Student Activity 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 – decreased \$222,939, or 17.36%. This decrease in unrestricted net assets was primarily a result of the decrease in the District’s General Fund balance and the increase in early retirement liabilities to be paid in future years.

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

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 754,140	946,624	349,005	339,065	1,103,145	1,285,689	-14.20%
Operating grants and contributions and restricted interest	1,229,059	1,254,824	212,799	204,072	1,441,858	1,458,896	-1.17%
Capital grants and contributions and restricted interest	53,875	234,711	0	0	53,875	234,711	-77.05%
General revenues:							
Property tax	4,939,381	5,081,692	0	0	4,939,381	5,081,692	-2.80%
Local option sales and services tax	715,468	0	0	0	715,468	0	100.00%
Unrestricted state grants	6,099,774	5,652,379	0	0	6,099,774	5,652,379	7.92%
Other	72,299	59,068	1,539	733	73,838	59,801	23.47%
Transfers in	25,000	0	0	0	25,000	0	100.00%
Total revenues	13,888,996	13,229,298	563,343	543,870	14,452,339	13,773,168	4.93%
Program expenses:							
Governmental activities:							
Instructional	8,387,915	7,683,402	0	0	8,387,915	7,683,402	9.17%
Support services	3,416,060	3,560,814	0	0	3,416,060	3,560,814	-4.07%
Non-instructional programs	15,511	8,089	565,547	526,473	581,058	534,562	8.70%
Other expenditures	1,051,393	965,241	0	0	1,051,393	965,241	8.93%
Total expenses	12,870,879	12,217,546	565,547	526,473	13,436,426	12,744,019	5.43%
Changes in net assets	1,018,117	1,011,752	(2,204)	17,397	1,015,913	1,029,149	-1.29%
Beginning Net Assets	5,783,236	4,771,484	131,603	114,206	5,914,839	4,885,690	21.06%
Ending Net Assets	\$ 6,801,353	5,783,236	129,399	131,603	6,930,752	5,914,839	17.18%

The FY 05 total change in net assets increased 17.18% and is reflective of the increase of local option sales and services tax and state aid revenues over the increase in expenditures. During the year, the District received capital contributions from the foundation for a track project as well as a transfer from the Private Purpose Trust Fund of \$25,000. Included in the other revenue account are the unrestricted investment earnings. The net change of 4.93% is due to the increase of unrestricted investment earnings and the first complete year of funding from local option sales and services tax revenues.

The largest program expenditure area change was in the instructional expenditures function area, which was primarily due to increases in negotiated salaries and benefit expenditures.

Governmental Activities

Revenues for governmental activities were \$13,888,996 and expenses were \$12,870,879.

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	\$ 8,387,915	6,852,153
Support services	3,416,060	3,414,249
Non-instructional programs	15,511	15,511
Other expenses	1,051,393	551,892
Totals	<u>\$ 12,870,879</u>	<u>10,833,805</u>

- The cost financed by users of the District's programs was \$754,140.
- Federal and state governments subsidized certain programs with grants and capital contributions totaling \$1,282,934.
- The net cost of governmental activities was financed with \$4,939,381 in local property tax, \$715,468 in local option sales and services tax, \$6,099,774 in unrestricted state grants and \$72,299 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$563,343 and expenses were \$565,547. 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 \$2,050,861, above last year's ending fund balances of \$1,705,190. However, the primary reason for the increase in combined fund balances in fiscal 2005 is due to the District receiving local option sales and services tax for the first time.

Governmental Fund Highlights

- The District's decrease in its General Fund financial position from \$1,078,010 in fiscal 2004 to \$874,262 in fiscal 2005 is the product of many factors. Revenues increased due to increases in property taxes and state aid. The District's increase in General Fund expenditures was primarily due to increased salary and benefit costs.
- The Debt Service Fund balance increased from \$173,634 to \$179,173 due to normal operations of paying debt principal and interest.

- The Management Fund balance increased from \$59,238 to \$63,438. 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 increased from \$129,429 to \$136,193 due to the variance of student activities from year to year.
- The Physical Plant and Equipment Levy Fund balance increased from \$238,750 in fiscal 2004 to \$263,700 in fiscal 2005 due to decreased student transportation expense. The District follows a five-year capital improvement plan that is reviewed annually.
- The Capital Projects Fund balance increased from \$26,129 in fiscal 2004 to \$534,095 in fiscal 2005 due to the District receiving local option sales and services tax for the first time.

Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$131,603 at June 30, 2004, to \$129,399 at June 30, 2005, representing a decrease of 1.67%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$195,278 more than budgeted revenues, a variance of 1.37%. 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 instruction and non-instructional program functional areas due to the timing of expenditures paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$8.5 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 decrease of 1.51% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$330,176.

The original cost of the District's capital assets was \$15.3 million. Governmental funds account for \$15.0 million with the remainder of \$0.3 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 \$0 at June 30, 2005, compared to \$498,114 reported at June 30, 2004. This significant decrease resulted from the completion of the High School roof construction project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-05
Land	\$ 318,535	318,535	0	0	318,535	318,535	0.00%
Construction in progress	0	498,114	0	0	0	498,114	-100.00%
Buildings	7,258,206	6,832,385	0	0	7,258,206	6,832,385	6.23%
Land improvements	578,632	624,397	0	0	578,632	624,397	-7.33%
Machinery and equipment	334,724	342,192	22,274	27,422	356,998	369,614	-3.41%
Total	\$ 8,490,097	8,615,623	22,274	27,422	8,512,371	8,643,045	-1.51%

Long-Term Debt

At June 30, 2005, the District had \$3,954,082 in general obligation and other long-term debt outstanding. This represents a decrease of 16.48% 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 \$3,045,000 at June 30, 2005.

The District had outstanding Capital Loan Notes of \$700,000 payable from the Physical Plant and Equipment Fund at June 30, 2005.

The District had outstanding Early Retirement benefits of \$209,082 payable from the Special Revenue, Management Fund at June 30, 2005.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2005	2004	2004-05
General obligation bonds	\$ 3,045,000	3,515,000	-13.37%
Capital loan notes	700,000	1,035,000	-32.37%
Early retirement	209,082	113,338	84.48%
Compensated absences	0	70,795	100.00%
Totals	\$ 3,954,082	4,734,133	-16.48%

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.

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, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 851,706	0	851,706
Other	2,411,716	98,235	2,509,951
Receivables:			
Property tax:			
Delinquent	90,687	0	90,687
Succeeding year	4,761,604	0	4,761,604
Income surtax	238,661	0	238,661
Accounts	23,218	7,470	30,688
Accrued ISCAP interest(Note 4)	11,535	0	11,535
Due from other governments	539,389	0	539,389
Inventories	0	12,421	12,421
Capital assets, net of accumulated depreciation(Note 5)	8,490,097	22,274	8,512,371
TOTAL ASSETS	17,418,613	140,400	17,559,013
LIABILITIES			
Accounts payable	47,542	110	47,652
Salaries and benefits payable	963,346	4,298	967,644
ISCAP warrants payable(Note 4)	849,000	0	849,000
ISCAP interest payable(Note 4)	12,455	0	12,455
ISCAP unamortized premium	5,047	0	5,047
Accrued interest payable	24,184	0	24,184
Deferred revenue:			
Succeeding year property tax	4,761,604	0	4,761,604
Other	0	6,593	6,593
Long-term liabilities(Note 6):			
Portion due within one year:			
Bonds payable	490,000	0	490,000
Capital loan notes payable	340,000	0	340,000
Early retirement payable	42,813	0	42,813
Portion due after one year:			
Bonds payable	2,555,000	0	2,555,000
Capital loan notes payable	360,000	0	360,000
Early retirement payable	166,269	0	166,269
TOTAL LIABILITIES	10,617,260	11,001	10,628,261
NET ASSETS			
Investment in capital assets, net of related debt	5,697,881	22,274	5,720,155
Restricted for:			
Talented and gifted	110	0	110
Early intervention	12,412	0	12,412
Salary improvement program	388	0	388
Other special revenue purposes	136,193	0	136,193
Unrestricted	954,369	107,125	1,061,494
TOTAL NET ASSETS	\$ 6,801,353	129,399	6,930,752

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

	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	\$ 5,022,027	322,275	703,554	0
Special instruction	2,040,153	63,764	78,219	0
Other instruction	1,325,735	367,950	0	0
	<u>8,387,915</u>	<u>753,989</u>	<u>781,773</u>	<u>0</u>
Support services:				
Student services	359,097	0	0	0
Instructional staff services	363,509	0	0	0
Administration services	1,026,960	0	0	0
Operation and maintenance of plant services	1,122,113	0	0	0
Transportation services	544,381	151	1,660	0
	<u>3,416,060</u>	<u>151</u>	<u>1,660</u>	<u>0</u>
Non-instructional programs:				
Food service operations	15,511	0	0	0
	<u>15,511</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other expenditures:				
Facilities acquisitions	168,305	0	0	53,875
Long-term debt interest	172,876	0	0	0
AEA flowthrough	445,626	0	445,626	0
Depreciation(unallocated)*	264,586	0	0	0
	<u>1,051,393</u>	<u>0</u>	<u>445,626</u>	<u>53,875</u>
Total governmental activities	12,870,879	754,140	1,229,059	53,875
Business-Type activities:				
Non-instructional programs:				
Nutrition services	565,547	349,005	212,799	0
Total business-type activities	<u>565,547</u>	<u>349,005</u>	<u>212,799</u>	<u>0</u>
Total	<u>\$ 13,436,426</u>	<u>1,103,145</u>	<u>1,441,858</u>	<u>53,875</u>

General Revenues:

Property tax for:
 General purposes
 Debt service
 Capital outlay
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings

Transfers in

Total general revenues and transfers in

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(3,996,198)	0	(3,996,198)
(1,898,170)	0	(1,898,170)
(957,785)	0	(957,785)
<u>(6,852,153)</u>	<u>0</u>	<u>(6,852,153)</u>
(359,097)	0	(359,097)
(363,509)	0	(363,509)
(1,026,960)	0	(1,026,960)
(1,122,113)	0	(1,122,113)
(542,570)	0	(542,570)
<u>(3,414,249)</u>	<u>0</u>	<u>(3,414,249)</u>
(15,511)	0	(15,511)
<u>(15,511)</u>	<u>0</u>	<u>(15,511)</u>
(114,430)	0	(114,430)
(172,876)	0	(172,876)
0	0	0
(264,586)	0	(264,586)
<u>(551,892)</u>	<u>0</u>	<u>(551,892)</u>
(10,833,805)	0	(10,833,805)
0	(3,743)	(3,743)
<u>0</u>	<u>(3,743)</u>	<u>(3,743)</u>
<u>(10,833,805)</u>	<u>(3,743)</u>	<u>(10,837,548)</u>
\$ 3,876,459	0	3,876,459
554,203	0	554,203
508,719	0	508,719
715,468	0	715,468
6,099,774	0	6,099,774
72,299	1,539	73,838
25,000	0	25,000
<u>11,851,922</u>	<u>1,539</u>	<u>11,853,461</u>
1,018,117	(2,204)	1,015,913
<u>5,783,236</u>	<u>131,603</u>	<u>5,914,839</u>
<u>\$ 6,801,353</u>	<u>129,399</u>	<u>6,930,752</u>

WINTERSET COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Capital Projects	Other Nonmajor		Total
			Governmental Funds		
ASSETS					
Cash and pooled investments:					
ISCAP(Note 4)	\$ 851,706	0	0		851,706
Other	1,594,385	189,393	627,938		2,411,716
Receivables:					
Property tax:					
Delinquent	63,257	0	27,430		90,687
Succeeding year	3,405,554	0	1,356,050		4,761,604
Income surtax	238,661	0	0		238,661
Accounts	22,687	0	531		23,218
Accrued ISCAP interest (Note 4)	11,535	0	0		11,535
Due from other governments	194,687	344,702	0		539,389
TOTAL ASSETS	\$ 6,382,472	534,095	2,011,949		8,928,516
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 34,147	0	13,395		47,542
Salaries and benefits payable	963,346	0	0		963,346
ISCAP warrants payable (Note 4)	849,000	0	0		849,000
ISCAP interest payable (Note 4)	12,455	0	0		12,455
ISCAP unamortized premium	5,047	0	0		5,047
Deferred revenue:					
Succeeding year property tax	3,405,554	0	1,356,050		4,761,604
Income surtax	238,661	0	0		238,661
Total liabilities	5,508,210	0	1,369,445		6,877,655
Fund balances:					
Reserved for:					
Debt service	0	0	179,173		179,173
Talented and gifted	110	0	0		110
Early intervention	12,412	0	0		12,412
Salary improvement program	388	0	0		388
Unreserved:					
Undesignated:					
General	861,352	0	0		861,352
Capital projects	0	534,095	0		534,095
Management levy	0	0	63,438		63,438
Physical plant and equipment levy	0	0	263,700		263,700
Other special revenue purposes	0	0	136,193		136,193
Total fund balances	874,262	534,095	642,504		2,050,861
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,382,472	534,095	2,011,949		8,928,516

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 17)	\$	2,050,861
 <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.		8,490,097
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.		(24,184)
Long-term liabilities, including bonds payable, capital loan notes payable and early retirement payable, are not due and payable in the current period, and, therefore, are not reported as liabilities in the governmental funds.		<u>(3,954,082)</u>
Net assets of governmental activites (page 14)	\$	<u>6,801,353</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,605,133	715,468	1,334,248	5,654,849
Tuition	386,039	0	0	386,039
Other	161,433	54,701	278,141	494,275
State sources	7,006,461	0	890	7,007,351
Federal sources	321,482	0	0	321,482
Total revenues	<u>11,480,548</u>	<u>770,169</u>	<u>1,613,279</u>	<u>13,863,996</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	4,904,095	0	44,897	4,948,992
Special instruction	2,023,852	0	0	2,023,852
Other instruction	1,065,000	0	263,124	1,328,124
	<u>7,992,947</u>	<u>0</u>	<u>308,021</u>	<u>8,300,968</u>
Support services:				
Student services	359,236	0	1,106	360,342
Instructional staff services	371,630	0	1,252	372,882
Administration services	1,061,334	0	7,847	1,069,181
Operation and maintenance of plant services	946,842	0	178,239	1,125,081
Transportation services	506,681	0	42,698	549,379
	<u>3,245,723</u>	<u>0</u>	<u>231,142</u>	<u>3,476,865</u>
Non-instructional programs:				
Food service operations	0	0	9,236	9,236
Other expenditures:				
Facilities acquisitions	0	210,698	104,135	314,833
Long-term debt:				
Principal	0	0	805,000	805,000
Interest and fiscal charges	0	0	190,797	190,797
AEA flowthrough	445,626	0	0	445,626
	<u>445,626</u>	<u>210,698</u>	<u>1,099,932</u>	<u>1,756,256</u>
Total expenditures	<u>11,684,296</u>	<u>210,698</u>	<u>1,648,331</u>	<u>13,543,325</u>
Excess(deficiency) of revenues over(under) expenditures	(203,748)	559,471	(35,052)	320,671
OTHER FINANCING SOURCES(USES):				
Transfer in	0	25,000	444,217	469,217
Transfer out	0	(76,505)	(367,712)	(444,217)
TOTAL OTHER FINANCING SOURCES(USES)	<u>0</u>	<u>(51,505)</u>	<u>76,505</u>	<u>25,000</u>
Net change in fund balances	(203,748)	507,966	41,453	345,671
Fund balance beginning of year	1,078,010	26,129	601,051	1,705,190
Fund balance end of year	<u>\$ 874,262</u>	<u>534,095</u>	<u>642,504</u>	<u>2,050,861</u>

SEE NOTES TO BASIC 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, 2005

Net change in fund balances - total governmental funds (page 19) \$ 345,671

**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	\$ 198,799	
Depreciation expense	(322,325)	
Loss on disposal of capital assets	<u>(2,000)</u>	(125,526)

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:

Repaid	805,000
--------	---------

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	\$ (95,744)	
Compensated Absences	<u>70,795</u>	(24,949)

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

<u>17,921</u>

Changes in net assets of governmental activities (page 16) \$ 1,018,117

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2005

	<u>School Nutrition</u>
ASSETS	
Cash and cash equivalents:	\$ 98,235
Receivables:	
Accounts	7,470
Inventories	12,421
Capital assets, net of accumulated depreciation(Note 5)	22,274
TOTAL ASSETS	<u>140,400</u>
LIABILITIES	
Accounts payable	110
Salaries and benefits payable	4,298
Deferred revenue:	
Other	6,593
TOTAL LIABILITIES	<u>11,001</u>
NET ASSETS	
Investment in capital assets, net of related debt	22,274
Unrestricted	107,125
TOTAL NET ASSETS	<u>\$ 129,399</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 349,005
TOTAL OPERATING REVENUES	349,005
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	210,870
Benefits	62,344
Services	3,892
Supplies	276,508
Depreciation	7,851
Other	4,082
TOTAL OPERATING EXPENSES	565,547
OPERATING LOSS	(216,542)
NON-OPERATING REVENUES:	
State sources	7,940
Federal sources	204,859
Interest income	1,539
TOTAL NON-OPERATING REVENUES	214,338
Change in net assets	(2,204)
Net assets beginning of year	131,603
Net assets end of year	\$ 129,399

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 348,330
Cash received from miscellaneous sources	87
Cash payments to employees for services	(276,325)
Cash payments to suppliers for goods or services	(264,940)
Net cash used in operating activities	(192,848)
Cash flows from non-capital financing activities:	
State grants received	7,940
Federal grants received	185,675
Net cash provided by non-capital financing activities	193,615
Cash flows from capital financing activities:	
Acquisition of capital assets	(2,703)
Net cash used in capital financing activities	(2,703)
Cash flows from investing activities:	
Interest on investments	1,539
Net cash provided by investing activities	1,539
Net decrease in cash and cash equivalents	(397)
Cash and cash equivalents at beginning of year	98,632
Cash and cash equivalents at end of year	\$ 98,235
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (216,542)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	19,184
Depreciation	7,851
Decrease in inventories	1,073
Decrease in accounts receivable	65
Decrease in accounts payable	(715)
Decrease in salaries and benefits payable	(3,111)
Decrease in deferred revenue	(653)
Net cash used in operating activities	\$ (192,848)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 98,235

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at \$19,184.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2005

	<u>Private Purpose Trust</u>	<u>Agency</u>
	<u>Scholarship</u>	
ASSETS		
Cash and pooled investments	\$ 195,839	37,752
Receivables:		
Accounts	2,411	11,799
	<u>198,250</u>	<u>49,551</u>
LIABILITIES		
Due to other groups	<u>0</u>	<u>49,551</u>
NET ASSETS		
Reserved for scholarships	<u>\$ 198,250</u>	<u>0</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2005

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 3,567
Interest income	6,605
Total additions	10,172
Deductions:	
Support services:	
Scholarships awarded	8,879
Change in net assets before other financing uses	1,293
Other financing uses:	
Transfer out	(25,000)
Change in net assets	(23,707)
Net assets beginning of year	221,957
Net assets end of year	\$ 198,250

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2005

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

The District 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

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

Asset Class	Amount
Land	\$ 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 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.

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

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

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

E. Budgeting and Budgetary Control

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

(2) Cash and Pooled Investments

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

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

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

	Amortized Cost
Diversified Portfolio	<u>\$ 1,435,040</u>

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

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

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The Certificates of Deposit over one year are classified as Category 1, which means the investments are insured or registered or the securities are held by the District or its agent in the District's name. Certificates of Deposit are stated at fair value.

At June 30, 2005, the District had investments in Certificates of Deposit over one year as follows:

	Fair Value
Certificates of Deposit	<u>\$ 29,320</u>

(3) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Special Revenue: Physical Plant and Equipment Levy	\$ 367,712
Capital Projects	Private Purpose Trust Fund	25,000
Debt Service	Capital Projects	<u>76,505</u>
Total		<u>\$ 469,217</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, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05A	6/30/04	6/30/05	\$ 253	0	0	0
2004-05B	1/28/05	1/27/06	851,453	11,535	849,000	12,455
Total			<u>\$ 851,706</u>	<u>11,535</u>	<u>849,000</u>	<u>12,455</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, 2005 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004-05A	\$ 0	220,000	220,000	0

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

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

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 252,149	2,703	1,083	253,769
Less accumulated depreciation	224,727	7,851	1,083	231,495
Business-type activities capital assets, net	<u>\$ 27,422</u>	<u>(5,148)</u>	<u>0</u>	<u>22,274</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 318,535	0	0	318,535
Construction in progress	498,114	0	498,114	0
Total capital assets not being depreciated	816,649	0	498,114	318,535
Capital assets being depreciated:				
Buildings	11,084,307	644,642	0	11,728,949
Land improvements	972,909	0	0	972,909
Machinery and equipment	1,996,844	52,271	14,970	2,034,145
Total capital assets being depreciated	14,054,060	696,913	14,970	14,736,003
Less accumulated depreciation for:				
Buildings	4,251,922	218,821	0	4,470,743
Land improvements	348,512	45,765	0	394,277
Machinery and equipment	1,654,652	57,739	12,970	1,699,421
Total accumulated depreciation	6,255,086	322,325	12,970	6,564,441
Total capital assets being depreciated, net	7,798,974	374,588	2,000	8,171,562
Governmental activities capital assets, net	\$ 8,615,623	374,588	500,114	8,490,097

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 5,776
Support services:		
Administration		1,980
Operation and maintenance of plant		1,331
Transportation		48,652
		<u>57,739</u>
Unallocated depreciation		<u>264,586</u>
Total governmental activities depreciation expense		<u>\$ 322,325</u>
Business-type activities:		
Food services		\$ 7,851
Total business-type activities depreciation expense		<u>\$ 7,851</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 3,515,000	0	470,000	3,045,000	490,000
Capital loan notes	1,035,000	0	335,000	700,000	340,000
Early retirement	113,338	120,711	24,967	209,082	42,813
Compensated absences	70,795	0	70,795	0	0
	<u>\$ 4,734,133</u>	<u>120,711</u>	<u>900,762</u>	<u>3,954,082</u>	<u>872,813</u>

General Obligation Bonds Payable

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

Year Ending June 30,	Interest Rates	Bond Issue of April 1, 1998		
		Principal	Interest	Total
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		<u>\$ 3,045,000</u>	<u>479,770</u>	<u>3,524,770</u>

Capital Loan Notes Payable

Details of the District's June 30, 2005 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
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		<u>\$ 425,000</u>	<u>22,575</u>		<u>\$ 137,500</u>	<u>5,706</u>

Year Ending June 30,	2004 Series B			Total	
	Interest Rates	Principal	Interest	Principal	Interest
2006	2.75 %	\$ 67,500	3,781	\$ 340,000	22,437
2007	2.75	70,000	1,925	360,000	11,550
Total		<u>\$ 137,500</u>	<u>5,706</u>	<u>\$ 700,000</u>	<u>33,987</u>

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 50% 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, 2005, totaled \$24,967 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, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$479,948, \$457,008 and \$445,341 respectively, equal to the required contributions for each year.

(8) Risk Management

The Winterset Community School District was a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-funded to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium for the 2004-2005 and 2005-2006 plan years. The deficit recovery is equal to 2% of the annual premium. The total amount of the deficit recoveries of current members is estimated to \$2.2 million. The District's share of this assessment which was paid with the 2004-2005 premiums was \$13,158 and the remainder of the assessment is an unknown liability as of June 30, 2005 and will be paid with the 2005-2006 premiums. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, 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, 2005 were \$657,905.

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

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 \$445,626 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Overexpenditure

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

OTHER SUPPLEMENTARY INFORMATION

WINTERSSET 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, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 6,535,163	350,544
State sources	7,007,351	7,940
Federal sources	321,482	204,859
Total revenues	<u>13,863,996</u>	<u>563,343</u>
Expenditures:		
Instruction	8,300,968	0
Support services	3,476,865	0
Non-instructional programs	9,236	565,547
Other expenditures	1,756,256	0
Total expenditures	<u>13,543,325</u>	<u>565,547</u>
Excess(deficiency) of revenues over(under) expenditures	320,671	(2,204)
Other financing sources, net	<u>25,000</u>	0
Excess(deficiency) of revenues and other financing sources over(under) expenditures	345,671	(2,204)
Balance beginning of year	<u>1,705,190</u>	<u>131,603</u>
Balance end of year	<u><u>\$ 2,050,861</u></u>	<u><u>129,399</u></u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
6,885,707	6,651,135	6,651,135	234,572
7,015,291	7,110,429	7,110,429	(95,138)
526,341	470,497	470,497	55,844
<u>14,427,339</u>	<u>14,232,061</u>	<u>14,232,061</u>	<u>195,278</u>
8,300,968	8,104,091	8,104,091	(196,877)
3,476,865	3,677,208	3,677,208	200,343
574,783	527,450	527,450	(47,333)
1,756,256	1,934,286	1,934,286	178,030
<u>14,108,872</u>	<u>14,243,035</u>	<u>14,243,035</u>	<u>134,163</u>
318,467	(10,974)	(10,974)	329,441
<u>25,000</u>	<u>10,275</u>	<u>10,275</u>	<u>14,725</u>
343,467	(699)	(699)	344,166
<u>1,836,793</u>	<u>1,594,655</u>	<u>1,594,655</u>	<u>242,138</u>
<u><u>2,180,260</u></u>	<u><u>1,593,956</u></u>	<u><u>1,593,956</u></u>	<u><u>586,304</u></u>

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

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the 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 ended June 30, 2005, expenditures in the instruction and non-instructional programs functional areas exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

WINTERSSET COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

	Special Revenue Funds					Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	
ASSETS						
Cash and pooled investments	\$ 58,273	148,845	253,256	460,374	167,564	627,938
Receivables:						
Property tax:						
Current year delinquent	5,165	0	10,656	15,821	11,609	27,430
Succeeding year	285,418	0	519,162	804,580	551,470	1,356,050
Accounts	0	531	0	531	0	531
TOTAL ASSETS	\$ 348,856	149,376	783,074	1,281,306	730,643	2,011,949
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts payable	\$ 0	13,183	212	13,395	0	13,395
Deferred revenue:						
Succeeding year property tax	285,418	0	519,162	804,580	551,470	1,356,050
	285,418	13,183	519,374	817,975	551,470	1,369,445
Fund equity:						
Fund balances:						
Reserved for:						
Debt service	0	0	0	0	179,173	179,173
Unreserved:						
Undesignated	63,438	136,193	263,700	463,331	0	463,331
Total fund balances	63,438	136,193	263,700	463,331	179,173	642,504
TOTAL LIABILITIES AND FUND EQUITY	\$ 348,856	149,376	783,074	1,281,306	730,643	2,011,949

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, 2005

	Special Revenue Funds					Total
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 271,326	0	508,719	780,045	554,203	1,334,248
Other	1,794	269,869	3,927	275,590	2,551	278,141
State sources	190	0	335	525	365	890
TOTAL REVENUES	273,310	269,869	512,981	1,056,160	557,119	1,613,279
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	44,897	0	0	44,897	0	44,897
Other instruction	19	263,105	0	263,124	0	263,124
Support services:						
Student support	1,106	0	0	1,106	0	1,106
Instructional staff support	1,252	0	0	1,252	0	1,252
Administration services	7,847	0	0	7,847	0	7,847
Operation and maintenance of plant services	168,710	0	9,529	178,239	0	178,239
Student transportation	36,043	0	6,655	42,698	0	42,698
Non-instructional programs:						
Food service operations	9,236	0	0	9,236	0	9,236
Other:						
Facilities acquisition	0	0	104,135	104,135	0	104,135
Long-term debt:						
Principal	0	0	0	0	805,000	805,000
Interest and fiscal charges	0	0	0	0	190,797	190,797
TOTAL EXPENDITURES	269,110	263,105	120,319	652,534	995,797	1,648,331
EXCESS(DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,200	6,764	392,662	403,626	(438,678)	(35,052)
OTHER FINANCING SOURCES(USES):						
Proceeds on capital loan notes	0	0	0	0	444,217	444,217
Transfer out	0	0	(367,712)	(367,712)	0	(367,712)
TOTAL OTHER FINANCING SOURCES(USES)	0	0	(367,712)	(367,712)	444,217	76,505
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	4,200	6,764	24,950	35,914	5,539	41,453
FUND BALANCE BEGINNING OF YEAR	59,238	129,429	238,750	427,417	173,634	601,051
FUND BALANCE END OF YEAR	\$ 63,438	136,193	263,700	463,331	179,173	642,504

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Elementary School:				
Interest	\$ 3,076	46	0	3,122
Champs	1,294	588	868	1,014
PTO	0	26	0	26
Memory Book	965	2,660	2,667	958
	<u>5,335</u>	<u>3,320</u>	<u>3,535</u>	<u>5,120</u>
Middle School:				
Interest	2,737	651	0	3,388
Band Resale	(747)	2,150	3,057	(1,654)
Champs	1,681	274	700	1,255
Field Trips	0	1,049	921	128
Magazine Fund	22,797	41,738	37,400	27,135
Recorders	25	0	0	25
Honor Club	0	1,484	1,484	0
Tech Projects	224	0	0	224
Supply Hut	(60)	99	70	(31)
Vocal	0	85	96	(11)
Band	0	2,141	2,141	0
Activity Tickets	7,473	5,579	1,562	11,490
Uniform	3,766	0	0	3,766
Cross Country	0	45	45	0
Boys Basketball	0	497	497	0
Football	0	1,000	970	30
Baseball	0	0	175	(175)
Boys Track	0	836	836	0
Wrestling	0	450	381	69
Girls Basketball	0	437	437	0
Volleyball	0	923	923	0
Softball	0	0	175	(175)
Girls Track	0	557	557	0
Cheerleaders	1,235	0	0	1,235
Yearbook	594	2,307	2,901	0
Student Council	559	607	1,150	16
TSA	1,082	1,780	1,180	1,682
	<u>41,366</u>	<u>64,689</u>	<u>57,658</u>	<u>48,397</u>
High School:				
Activity Tickets	294	17,202	17,141	355
Interest	0	1,627	1,200	427
Band Resale	(811)	1,518	1,485	(778)
Champs	169	930	(578)	1,677
Concessions	2,481	5,413	7,561	333
Pop Machine	(5,546)	7,088	0	1,542
Play	404	2,946	2,923	427
Speech	(185)	0	(185)	0
Debate	15	6,224	6,097	142
Vocal	(3,711)	7,498	3,710	77

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
High School (Continued):				
Band	0	11,583	7,464	4,119
Color Guard	202	0	65	137
Uniforms	1,122	4,153	4,946	329
Weightlifting	280	2,554	1,618	1,216
Cross Country	1,617	1,888	224	3,281
Boys Basketball	2,400	4,845	5,939	1,306
Football	11,312	16,779	20,299	7,792
Boys Soccer	1,426	3,673	5,982	(883)
Baseball	490	7,676	7,906	260
Boys Track	(102)	3,121	1,837	1,182
Golf	0	0	(25)	25
Wrestling	4,441	6,347	14,855	(4,067)
Girls Basketball	5,580	2,844	3,868	4,556
Volleyball	2,053	3,313	4,590	776
Girls Soccer	2,161	7,096	6,855	2,402
Softball	(249)	7,619	7,198	172
Girls Track	(102)	2,165	2,014	49
Cheerleaders	1,399	21,377	18,230	4,546
Girls Golf	0	160	(42)	202
Drill Team	1,350	4,724	5,613	461
Class of 2000	1,029	0	1,029	0
Class of 2001	1,207	0	1,207	0
Class of 2002	821	0	821	0
Class of 2004	2,733	0	2,209	524
Class of 2005	3,261	1,194	2,767	1,688
Class of 2006	4,949	2,766	3,223	4,492
Class of 2007	1,822	2,187	532	3,477
Class of 2008	500	1,417	320	1,597
Class of 2009	0	0	(500)	500
AFS	376	524	250	650
Boomerang	4,425	9,423	6,131	7,717
FBLA	1,827	2,499	4,174	152
FCCLA	3,031	89	0	3,120
MOC	205	640	675	170
Pep Club	3,701	1,523	1,995	3,229
Renaissance	174	228	2	400
SADD	134	0	0	134
Science Club	1,269	1,590	1,032	1,827
Student Council	278	148	(103)	529
TSA	881	1,709	2,251	339
WHS-TV	8,422	5,400	6,837	6,985
Y-Teen	4,456	1,091	937	4,610
FFA	8,737	5,912	6,739	7,910
Art Club	0	1,157	594	563
	82,728	201,860	201,912	82,676
Total	\$ 129,429	269,869	263,105	136,193

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ (1,284)	137,548	98,512	37,752
Receivables:				
Accounts	22,257	11,799	22,257	11,799
	<u>\$ 20,973</u>	<u>149,347</u>	<u>120,769</u>	<u>49,551</u>
LIABILITIES				
Due to other groups	\$ 20,973	149,347	120,769	49,551

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,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 5,654,849	4,843,031	4,737,178	4,478,496
Tuition	386,039	435,217	403,430	307,450
Other	494,275	800,215	774,362	537,934
Intermediate sources	0	1,431	3,422	0
State sources	7,007,351	6,528,915	6,603,697	6,277,125
Federal sources	321,482	376,857	290,180	276,510
Total	\$ 13,863,996	12,985,666	12,812,269	11,877,515
Expenditures:				
Instruction:				
Regular instruction	\$ 4,948,992	4,573,554	4,473,533	4,554,800
Special instruction	2,023,852	2,104,456	1,912,833	1,635,018
Other instruction	1,328,124	924,385	991,563	908,389
Support services:				
Student services	360,342	350,360	354,185	420,368
Instructional staff services	372,882	335,889	330,199	356,480
Administration services	1,069,181	1,055,372	1,048,812	1,069,712
Operation and maintenance of plant services	1,125,081	1,194,716	1,049,166	1,097,359
Transportation services	549,379	545,414	471,362	438,979
Other support services	0	0	0	648
Non-instructional programs	9,236	8,089	7,375	5,683
Other expenditures:				
Facilities acquisitions	314,833	284,342	463,481	919,045
Long-term debt:				
Principal	805,000	1,187,000	732,000	552,000
Interest and other charges	190,797	235,961	274,056	252,252
AEA flow-through	445,626	432,742	454,395	452,591
Total	\$ 13,543,325	13,232,280	12,562,960	12,663,324

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 05	\$ 19,184
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 05	22,253
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 05	163,422
			<u>185,675</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	7056-G	142,266
INNOVATIVE EDUCATION PROGRAM			
STRATEGIES(TITLE V PROGRAM)	84.298	FY 05	5,767
SAFE AND DRUG FREE SCHOOLS AND			
COMMUNITIES - STATE GRANTS	84.186	FY 05	5,211
TITLE IIA - FEDERAL TEACHER QUALITY			
PROGRAM	84.367	FY 05	56,439
VOCATIONAL EDUCATION - BASIC			
GRANTS TO STATES	84.048	FY 05	14,472
GRANTS FOR STATE ASSESSMENT AND			
RELATED ACTIVITIES(TITLE VI A)	84.369	FY 05	9,618
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO			
STATES(PART B)	84.027	FY 05	78,219
UNIVERSITY OF IOWA:			
IOWA EXCELLANCE PROGRAM	84.215K	FY 05	710
TOTAL			<u>\$ 517,561</u>

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Winterset Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 8, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

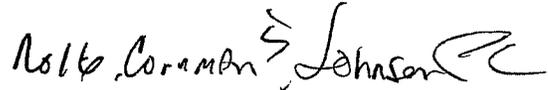
As part of obtaining reasonable assurance about whether Winterset Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have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

immaterial instances of non-compliance or other matters that are described in Part 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, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of 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.

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.

Handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson". The signature is stylized and includes a flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

February 8, 2006

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 on Internal Control over Compliance in Accordance with OMB Circular A-133

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 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, 2005. 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 agreements 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, 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 OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 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, 2005.

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 grant agreements 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.

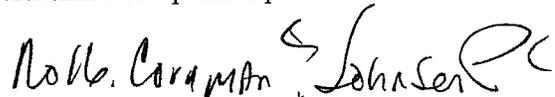
We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention

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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 grant agreements. The reportable condition is described as item III-A-05 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud 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, we believe item III-A-05 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 use by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

February 8, 2006

WINTERSET COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

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, 2005

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash 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-05 Student Activity Fund - We noted during our audit that the Special Revenue - Student Activity Fund included an Interest account. We also noted a Class of 2004 account with a balance 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.

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

Recommendation - The District should research the outstanding checks to determine if they should be re-issued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - Checks which have been outstanding for over one year will be reported to the Great Iowa Treasure Hunt.

Conclusion - Response accepted.

II-D-05 Supporting Documents for Payments to Officials - Payments made to officials from the Student Activity fund do not have supporting documentation.

Recommendation - The copy of the contract made for each official should be used as the support for payment.

Response - We will include a copy of each official's contract as support for payment.

Conclusion - Response accepted.

WINTERSET COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

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: 2005
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: 2005
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash 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, 2005

Part IV: Other Findings Related to Statutory Reporting

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

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

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

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

Conclusion - Response accepted.

IV-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

IV-E-05 Business Transactions - No business transactions between the District and District officials were noted.

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

IV-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

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

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