

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

JUNE 30, 2009

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Winterset Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (After September 2008 election)		
Shane Pashek	President	2008
Jeff Nicholl	Vice President	2009
Chad Emanuel	Board Member	2008
Michael Motsinger	Board Member	2010
Gretchen Holcomb	Board Member	2010
Board of Education (After September 2008 election)		
Jeff Nicholl	President	2009
Shane Pashek	Vice-President	2011
Sarah Kelley	Board Member	2011
Michael Motsinger	Board Member	2011 *
Gretchen Holcomb	Board Member	2009 *
School Officials		
Dr. Doyle F. Scott	Superintendent	2009
Ben M. Applegate	Business Manager/Board Secretary (Resigned December 2008)	2009
Cammy Leners	Business Manager/Board Secretary (Appointed January 2009)	2009
Ahlers Law Firm	Attorney	2009

* Board term altered per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

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(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, 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, 2009, 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, 2009, 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.

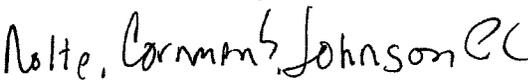
In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2009 on our consideration of the Winterset Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 40 through 42 are not required parts of the

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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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 8, 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.

December 17, 2009

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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$13,809,786 in fiscal year 2008 to \$14,662,269 in fiscal year 2009, while General Fund expenditures increased from \$14,795,428 in fiscal 2008 to \$15,839,836 in fiscal 2009. This resulted in a decrease in the District's General Fund balance from a deficit \$428,562 in fiscal 2008 to a deficit \$1,606,129 in fiscal 2009, a 274.77% decrease from prior year.
- The increase in General fund revenues was attributable to increases in property tax, state grant and federal grant revenue in fiscal 2009, however actual revenues fell below budgeted revenues for that same period due in part to an across the board cut in State Aid funding and reduced interest earnings. The increase in expenditures was due primarily to an increase in the staff numbers as well as negotiated salaries and benefits.
- The District issued \$9.86 million of general obligation bonds. \$1.51 million of this bond issue was to advance refund the District's April 1, 1998 bond issue and the remaining \$8.35 million will be used to finance the construction of the new middle school. The net present value of the advance refunding issue was \$18,071.

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, as well as presenting the schedule of funding progress for the retiree health plan.

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.

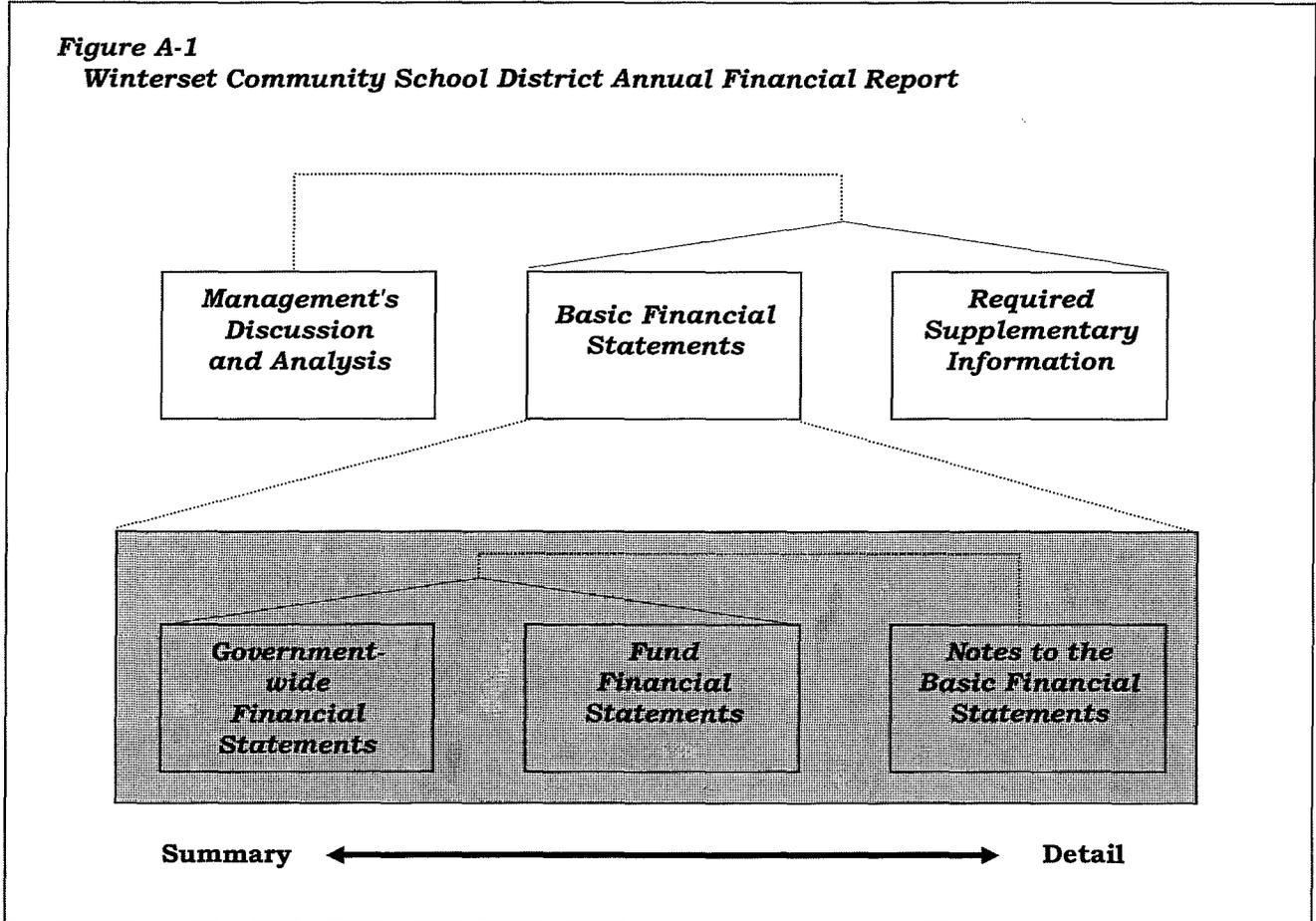


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 at June 30, 2009 compared to June 30, 2008.

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,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 20,424,365	9,065,046	138,332	110,617	20,562,697	9,175,663	124.10%
Capital assets	11,308,341	8,393,012	16,956	21,609	11,325,297	8,414,621	34.59%
Total assets	31,732,706	17,458,058	155,288	132,226	31,887,994	17,590,284	81.28%
Long-term obligations	9,735,636	1,867,591	3,857	0	9,739,493	1,867,591	421.50%
Other liabilities	13,266,223	6,902,013	18,326	12,429	13,284,549	6,914,442	92.13%
Total liabilities	23,001,859	8,769,604	22,183	12,429	23,024,042	8,782,033	162.17%
Net assets:							
Invested in capital assets, net of related debt	9,120,409	6,898,012	16,956	21,609	9,137,365	6,919,621	32.05%
Restricted	1,574,964	2,285,168	0	0	1,574,964	2,285,168	-31.08%
Unrestricted	(1,964,526)	(494,726)	116,149	98,188	(1,848,377)	(396,538)	-366.13%
Total net assets	\$ 8,730,847	8,688,454	133,105	119,797	8,863,952	8,808,251	0.63%

The District's combined net assets increased by 0.63%, or \$55,701, over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land infrastructure, buildings and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$710,204, or 31.08% over the prior year.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$1,451,839, or 366.13%. This decrease in unrestricted net assets was primarily a result of the decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 853,602	985,674	431,901	434,678	1,285,503	1,420,352	-9.49%
Operating grants and contributions and restricted interest	2,387,593	1,758,731	316,005	297,819	2,703,598	2,056,550	31.46%
Capital grants and contributions and restricted interest	62,963	7,863	0	0	62,963	7,863	700.75%
General revenues:							
Property tax	5,390,759	4,659,445	0	0	5,390,759	4,659,445	15.70%
Income surtax	336,235	301,554	0	0	336,235	301,554	11.50%
Statewide sales and services tax	988,207	953,769	0	0	988,207	953,769	3.61%
Unrestricted state grants	7,289,236	7,380,838	0	0	7,289,236	7,380,838	-1.24%
Other	313,123	105,373	449	1,716	313,572	107,089	192.81%
Transfers	(11,599)	0	0	0	(11,599)	0	-100.00%
Total revenues and transfers	17,610,119	16,153,247	748,355	734,213	18,358,474	16,887,460	8.71%
Program expenses:							
Governmental activities:							
Instruction	11,105,126	10,432,976	0	0	11,105,126	10,432,976	6.44%
Support services	4,965,867	4,630,634	1,502	1,109	4,967,369	4,631,743	7.25%
Non-instructional programs	8,309	22,310	733,545	732,437	741,854	754,747	-1.71%
Other expenditures	1,488,424	1,313,974	0	0	1,488,424	1,313,974	13.28%
Total expenses	17,567,726	16,399,894	735,047	733,546	18,302,773	17,133,440	6.82%
Changes in net assets	42,393	(246,647)	13,308	667	55,701	(245,980)	-122.64%
Beginning net assets	8,688,454	8,935,101	119,797	119,130	8,808,251	9,054,231	-2.72%
Ending net assets	\$ 8,730,847	8,688,454	133,105	119,797	8,863,952	8,808,251	0.63%

In fiscal 2009, property tax, statewide sales and services tax and unrestricted state grants account for 77.62% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.94% of the revenue from business type activities.

The District's total revenues were \$18,358,474 of which \$17,610,119 was for governmental activities and \$748,355 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 8.71% increase in revenues and a 6.82% increase in expenses. Property tax revenues increased \$731,314 to fund the increases in expenditures. The increases in expenses were related to increases in negotiated salary and benefits as well as increases in expenses related to the net OPEB liability.

Governmental Activities

Revenues for governmental activities were \$17,610,119 and expenses were \$17,567,726.

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		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 11,105,126	10,432,976	6.44%	8,470,810	8,256,438	2.60%
Support services	4,965,867	4,630,634	7.24%	4,959,540	4,625,567	7.22%
Non-instructional programs	8,309	22,310	-62.76%	8,309	22,310	-62.76%
Other expenses	1,488,424	1,313,974	13.28%	824,909	743,311	10.98%
Totals	<u>\$ 17,567,726</u>	<u>16,399,894</u>	<u>7.12%</u>	<u>14,263,568</u>	<u>13,647,626</u>	<u>4.51%</u>

- The cost financed by users of the District’s programs was \$853,602.
- Federal and state governments subsidized certain programs with grants and capital contributions totaling \$2,387,593. Citizens of the District subsidized the District’s track project with capital donations totaling \$62,963.
- The net cost of governmental activities was financed with \$5,726,994 in local tax, \$988,207 in statewide sales and services tax, \$7,289,236 in unrestricted state grants, \$263,436 in interest income and \$38,088 in other general revenues.

Business Type Activities

Revenues of the District’s business type activities were \$748,355 and expenses were \$735,047. 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 \$6,931,229, compared to last year’s ending fund balances of \$1,918,152. However, the primary reason for the increase in combined fund balances in fiscal 2009 is due to the issuance of general obligation bonds to finance the construction of a new middle school.

Governmental Fund Highlights

- The District’s decrease in its General Fund financial position from a deficit \$428,562 in fiscal 2008 to a deficit \$1,606,129 in fiscal 2009 is the product of many factors. Revenues increased due to increases in property taxes, state aid and federal grants. The District’s increase in General Fund expenditures was primarily due to increased salary and benefit costs.

- The Capital Projects Fund balance increased from \$1,502,552 in fiscal 2008 to \$7,731,284 in fiscal 2009 due to the District issuing \$9.86 million in general obligation bonds of which \$1.51 million was to advance refund the April 1, 1998 bond issue and the remaining \$8.35 million was to finance construction of the new middle school.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$119,797 at June 30, 2008 to \$133,105 at June 30, 2009, representing an increase of 11.11%.

BUDGETARY HIGHLIGHTS

The District’s revenues were \$289,392 more than budgeted revenues, a variance of 1.60%. The most significant variance resulted from the District receiving more in federal sources due to American Recovery and Reinvestment Act Funds.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$11.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 34.59% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$519,654.

The original cost of the District’s capital assets was \$19.63 million. Governmental funds account for \$19.36 million with the remainder of \$0.27 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District’s construction in progress totaled \$1,968,237 at June 30, 2009 compared to \$13,463 reported at June 30, 2008. This significant increase resulted from construction activity financed by the issuance of voter approved general obligation bonds for the construction of a new middle school.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total District		Total
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 457,901	407,931	0	0	457,901	407,931	12.25%
Construction in progress	1,968,237	13,463	0	0	1,968,237	13,463	14519.60%
Buildings	7,012,593	7,061,597	0	0	7,012,593	7,061,597	-0.69%
Land improvements	1,301,974	467,071	0	0	1,301,974	467,071	178.75%
Machinery and equipment	567,636	442,950	16,956	21,609	584,592	464,559	25.84%
Total	\$ 11,308,341	8,393,012	16,956	21,609	11,325,297	8,414,621	34.59%

Long-Term Debt

At June 30, 2009, the District had \$9,739,493 in general obligation and other long-term debt outstanding. This represents an increase of 421.50% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had outstanding General Obligation Bonds of \$9,240,000 at June 30, 2009.

The District had outstanding Early Retirement benefits of \$199,311 payable from the Special Revenue, Management Fund at June 30, 2009.

The District had \$96,182 in Compensated Absences payable from the General Fund at June 30, 2009.

The District has a Net OPEB liability of \$204,000 as of June 30, 2009.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total Change June 30, 2008-09
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2009	2008	2009	2008	2009	2008	
General obligation bonds	\$ 9,240,000	1,495,000	0	0	9,240,000	1,495,000	518.06%
Early retirement	199,311	271,836	0	0	199,311	271,836	-26.68%
Compensated absences	96,182	100,755	0	0	96,182	100,755	-4.54%
Net OPEB liability	200,143	0	3,857	0	204,000	0	100.00%
Totals	<u>\$ 9,735,636</u>	<u>1,867,591</u>	<u>3,857</u>	<u>0</u>	<u>9,739,493</u>	<u>1,867,591</u>	<u>421.50%</u>

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 six years. While The District will experience a drop in enrollment in fiscal year 2010 due to a large graduating class, in the long-term, the District expects continued increases in enrollment due to housing and commercial development in NE Madison County as the city of West Des Moines expands southward.
- 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.
- The financial leadership of the District changed July 1, 2009 as Dr. Doyle Scott retired and Mr. Mike Wells became the acting Superintendent.

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 Cammy Leners, Business Manager/Board Secretary, Winterset Community School District, 224 E. Hwy 92, Suite 3, PO Box 30, Winterset, Iowa, 50273-0030.

BASIC FINANCIAL STATEMENTS

WINTERSET COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents:			
ISCAP	\$ 5,074,343	0	5,074,343
Other	7,774,363	80,693	7,855,056
Receivables:			
Property tax:			
Delinquent	103,889	0	103,889
Succeeding year	6,487,337	0	6,487,337
Income surtax	289,099	0	289,099
Accounts	14,554	47,789	62,343
Accrued ISCAP interest	14,128	0	14,128
Due from other governments	666,652	0	666,652
Inventories	0	9,850	9,850
Capital assets, net of accumulated depreciation	11,308,341	16,956	11,325,297
Total Assets	31,732,706	155,288	31,887,994
Liabilities			
Accounts payable	128,517	0	128,517
Salaries and benefits payable	1,471,550	5,297	1,476,847
ISCAP warrants payable	5,000,000	0	5,000,000
ISCAP interest payable	22,218	0	22,218
ISCAP unamortized premium	83,265	0	83,265
Interest payable	62,186	0	62,186
Deferred revenue:			
Succeeding year property tax	6,487,337	0	6,487,337
Other	11,150	0	11,150
Unearned revenue	0	13,029	13,029
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	430,000	0	430,000
Early retirement payable	63,195	0	63,195
Compensated absences payable	96,182	0	96,182
Portion due after one year:			
General obligation bonds payable	8,810,000	0	8,810,000
Early retirement payable	136,116	0	136,116
Net OPEB liability	200,143	3,857	204,000
Total Liabilities	23,001,859	22,183	23,024,042
Net Assets			
Invested in capital assets, net of related debt	9,120,409	16,956	9,137,365
Restricted for:			
Categorical funding	170,406	0	170,406
Debt service	217,747	0	217,747
Capital projects	679,216	0	679,216
Physical plant and equipment levy	330,193	0	330,193
Other special revenue purposes	177,402	0	177,402
Unrestricted	(1,964,526)	116,149	(1,848,377)
Total Net Assets	\$ 8,730,847	133,105	8,863,952

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 6,589,650	413,805	1,602,784	0	(4,573,061)	0	(4,573,061)
Special	2,833,037	143,094	177,930	0	(2,512,013)	0	(2,512,013)
Other	1,682,439	296,703	0	0	(1,385,736)	0	(1,385,736)
	<u>11,105,126</u>	<u>853,602</u>	<u>1,780,714</u>	<u>0</u>	<u>(8,470,810)</u>	<u>0</u>	<u>(8,470,810)</u>
Support services:							
Student	353,248	0	0	0	(353,248)	0	(353,248)
Instructional staff	559,847	0	0	0	(559,847)	0	(559,847)
Administration	1,879,870	0	0	0	(1,879,870)	0	(1,879,870)
Operation and maintenance of plant	1,514,868	0	0	0	(1,514,868)	0	(1,514,868)
Transportation	658,034	0	6,327	0	(651,707)	0	(651,707)
	<u>4,965,867</u>	<u>0</u>	<u>6,327</u>	<u>0</u>	<u>(4,959,540)</u>	<u>0</u>	<u>(4,959,540)</u>
Non-instructional programs:							
Food service operations	8,309	0	0	0	(8,309)	0	(8,309)
Other expenditures:							
Facilities acquisitions	158,157	0	0	62,963	(95,194)	0	(95,194)
Long-term debt interest	391,056	0	0	0	(391,056)	0	(391,056)
AEA flowthrough	600,552	0	600,552	0	0	0	0
Depreciation (unallocated)*	338,659	0	0	0	(338,659)	0	(338,659)
	<u>1,488,424</u>	<u>0</u>	<u>600,552</u>	<u>62,963</u>	<u>(824,909)</u>	<u>0</u>	<u>(824,909)</u>
Total governmental activities	17,567,726	853,602	2,387,593	62,963	(14,263,568)	0	(14,263,568)
Business-Type activities:							
Support services:							
Administration	1,502	0	0	0	0	(1,502)	(1,502)
Non-instructional programs:							
Nutrition services	733,545	431,901	316,005	0	0	14,361	14,361
Total business-type activities	<u>735,047</u>	<u>431,901</u>	<u>316,005</u>	<u>0</u>	<u>0</u>	<u>12,859</u>	<u>12,859</u>
Total	\$ 18,302,773	1,285,503	2,703,598	62,963	(14,263,568)	12,859	(14,250,709)
General Revenues & Transfers:							
General Revenues:							
Property tax levied for:							
General purposes				\$ 4,388,490	0		4,388,490
Debt service				882,019	0		882,019
Capital outlay				120,250	0		120,250
Income surtax				336,235	0		336,235
Statewide sales and services tax				988,207	0		988,207
Unrestricted state grants				7,289,236	0		7,289,236
Unrestricted investment earnings				263,436	449		263,885
Other general revenues				49,687	0		49,687
Transfers				(11,599)	0		(11,599)
Total general revenues and transfers				<u>14,305,961</u>	<u>449</u>		<u>14,306,410</u>
Changes in net assets				42,393	13,308		55,701
Net assets beginning of year				8,688,454	119,797		8,808,251
Net assets end of year				<u>\$ 8,730,847</u>	<u>133,105</u>		<u>8,863,952</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and cash equivalents:					
ISCAP	\$ 5,074,343	0	0	0	5,074,343
Other	46,563	7,242,384	200,510	284,906	7,774,363
Receivables:					
Property tax:					
Delinquent	78,119	0	17,192	8,578	103,889
Succeeding year	4,977,933	0	1,001,618	507,786	6,487,337
Income surtax	289,099	0	0	0	289,099
Interfund	0	49,500	0	307,000	356,500
Accounts	9,411	0	0	5,143	14,554
Accrued ISCAP interest	14,128	0	0	0	14,128
Due from other governments	221,058	445,525	45	24	666,652
Total assets	\$ 10,710,654	7,737,409	1,219,365	1,113,437	20,780,865
Liabilities and Fund Balances					
Liabilities:					
Interfund payable	\$ 356,500	0	0	0	356,500
Accounts payable	105,068	6,125	0	17,324	128,517
Salaries and benefits payable	1,471,550	0	0	0	1,471,550
ISCAP warrants payable	5,000,000	0	0	0	5,000,000
ISCAP interest payable	22,218	0	0	0	22,218
ISCAP unamortized premium	83,265	0	0	0	83,265
Deferred revenue:					
Succeeding year property tax	4,977,933	0	1,001,618	507,786	6,487,337
Income surtax	289,099	0	0	0	289,099
Other	11,150	0	0	0	11,150
Total liabilities	12,316,783	6,125	1,001,618	525,110	13,849,636
Fund balances:					
Reserved for:					
Debt service	0	0	217,747	0	217,747
Construction	0	7,052,068	0	0	7,052,068
Categorical funding	170,406	0	0	0	170,406
Unreserved	(1,776,535)	679,216		588,327	(508,992)
Total fund balances	(1,606,129)	7,731,284	217,747	588,327	6,931,229
Total Liabilities and Fund Balances	\$ 10,710,654	7,737,409	1,219,365	1,113,437	20,780,865

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, 2009

Total fund balances of governmental funds (page 16)	\$ 6,931,229
 <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.	11,308,341
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	289,099
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.	(62,186)
Long-term liabilities, including bonds payable, early retirement payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current period, and, therefore, are not reported as liabilities in the governmental funds.	(9,735,636)
Net assets of governmental activities (page 14)	<u><u>\$ 8,730,847</u></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, 2009

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenue:					
Local sources:					
Local tax	\$ 4,367,672	988,207	882,019	444,581	6,682,479
Tuition	556,899	0	0	0	556,899
Other	133,080	305,605	1,838	304,022	744,545
Intermediate sources	868	0	0	0	868
State sources	9,068,826	0	512	268	9,069,606
Federal sources	534,599	0	0	0	534,599
Total revenues	14,661,944	1,293,812	884,369	748,871	17,588,996
Expenditures:					
Current:					
Instruction:					
Regular	6,439,325	0	0	99,475	6,538,800
Special	2,798,107	0	0	0	2,798,107
Other	1,466,182	0	0	301,634	1,767,816
	10,703,614	0	0	401,109	11,104,723
Support services:					
Student	349,843	0	0	1,489	351,332
Instructional staff	555,735	0	0	1,057	556,792
Administration	1,828,042	17,073	0	9,727	1,854,842
Operation and maintenance of plant	1,313,576	0	0	187,589	1,501,165
Transportation	488,474	166,640	0	45,507	700,621
	4,535,670	183,713	0	245,369	4,964,752
Non-instructional programs:					
Food service operations	0	0	0	11,793	11,793
Other expenditures:					
Facilities acquisitions	0	3,160,202	0	127,257	3,287,459
Long-term debt:					
Principal	0	0	620,000	0	620,000
Interest and fiscal charges	0	114,630	330,706	0	445,336
AEA flowthrough	600,552	0	0	0	600,552
	600,552	3,274,832	950,706	127,257	4,953,347
Total expenditures	15,839,836	3,458,545	950,706	785,528	21,034,615
Deficiency of revenues under expenditures	(1,177,892)	(2,164,733)	(66,337)	(36,657)	(3,445,619)
Other financing sources(uses):					
Transfer in	0	468	1,583,384	0	1,583,852
Transfer out	0	(1,583,852)	0	(11,599)	(1,595,451)
General obligation bond issuance	0	9,860,000	0	0	9,860,000
Discount on bond issuance	0	(66,927)	0	0	(66,927)
Premium on bond issuance	0	183,776	0	0	183,776
Payment to fiscal agent	0	0	(1,506,879)	0	(1,506,879)
Sale of equipment	325	0	0	0	325
Total other financing sources(uses)	325	8,393,465	76,505	(11,599)	8,458,696
Net change in fund balances	(1,177,567)	6,228,732	10,168	(48,256)	5,013,077
Fund balance beginning of year	(428,562)	1,502,552	207,579	636,583	1,918,152
Fund balance end of year	\$ (1,606,129)	7,731,284	217,747	588,327	6,931,229

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, 2009

Net change in fund balances - total governmental funds (page 18) \$ 5,013,077

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

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

Capital outlay	\$ 3,432,370	
Depreciation expense	(515,001)	
Loss on asset disposal	(2,040)	2,915,329

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 32,722

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. (50,690)

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 debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(9,860,000)	
Repaid	2,115,000	(7,745,000)

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	72,525	
Compensated Absences	4,573	
Other Postemployment Benefits	(200,143)	(123,045)

Changes in net assets of governmental activities (page 15) \$ 42,393

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	School Nutrition
Assets	
Cash and cash equivalents	\$ 80,693
Receivables:	
Accounts	47,789
Inventories	9,850
Capital assets, net of accumulated depreciation	16,956
Total Assets	155,288
Liabilities	
Salaries and benefits payable	5,297
Unearned revenue	13,029
Net OPEB liability	3,857
Total Liabilities	22,183
Net Assets	
Invested in capital assets	16,956
Unrestricted	116,149
Total Net Assets	\$ 133,105

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, 2009

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 431,901
Operating expenses:	
Support services:	
Administration services:	
Services	1,502
Non-instructional programs:	
Food service operations:	
Salaries	160,620
Benefits	59,996
Services	449,852
Supplies	58,424
Depreciation	4,653
Total operating expenses	735,047
Operating loss	(303,146)
Non-operating revenues:	
State sources	8,377
Federal sources	307,628
Interest income	449
Total non-operating revenues	316,454
Change in net assets	13,308
Net assets beginning of year	119,797
Net assets end of year	\$ 133,105

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 424,890
Cash payments to employees for services	(213,549)
Cash payments to suppliers for goods or services	(451,455)
Net cash used in operating activities	(240,114)
Cash flows from non-capital financing activities:	
State grants received	8,377
Federal grants received	250,286
Net cash provided by non-capital financing activities	258,663
Cash flows from investing activities:	
Interest on investments	449
Net increase in cash and cash equivalents	18,998
Cash and cash equivalents at beginning of year	61,695
Cash and cash equivalents at end of year	\$ 80,693
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (303,146)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	57,342
Depreciation	4,653
Decrease in inventories	981
Increase in accounts receivable	(9,698)
Increase in salaries and benefits payable	3,210
Increase in unearned revenue	2,687
Increase in other postemployment benefits	3,857
Net cash used in operating activities	\$ (240,114)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 80,693
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	

During the year ended June 30, 2009, the District received Federal commodities valued at \$57,342.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2009

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 223,531	18,125
Accounts receivable	0	5,073
Total Assets	223,531	23,198
Liabilities		
Salary and benefits payable	0	339
Due to other groups	0	22,859
Total Liabilities	0	23,198
Net Assets		
Reserved for scholarships	157,801	0
Unreserved	65,730	0
Total Net Assets	\$ 223,531	0

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 12,250
Interest income	5,875
Total additions	18,125
Deductions:	
Instruction:	
Scholarships awarded	13,837
Excess of revenues over expenditures	4,288
Other financing sources:	
Transfer in	11,599
Change in net assets	15,887
Net assets beginning of year	207,644
Net assets end of year	\$ 223,531

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

(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 Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

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 Balances

The following accounting policies are followed in preparing the financial statements:

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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	5,000

Capital assets are depreciated using the straight line method 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 and August, have been accrued as liabilities.

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

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

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Balances - 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.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2009 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 195,842</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.

(3) Transfers

The detail of transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects Statewide Sales Tax	\$ 76,505
Capital Projects Track Project	Capital Projects Statewide Sales Tax	468
Debt Service	Capital Projects Building Projects	1,506,879
Private Purpose Trust	Special Revenue, Support Trust	<u>11,599</u>
Total		<u>\$ 1,595,451</u>

The Capital Projects, Statewide Sales Tax transfer to Debt Service was needed for principal and interest payments on the District's general obligation bond indebtedness.

The Capital Projects, Statewide Sales Tax transfer to the Capital Projects, Track Project was needed to close the account because the project was completed during the year.

The Capital Projects, Building Projects transfer to Debt Service was needed for costs to advance refund the remaining \$1,495,000 of principal on the District's April 1, 1998 general obligation bond issue.

The Special Revenue, Support Trust transfer to the Private Purpose Trust was needed to reclassify the proceeds remaining in the support trust at the end of fiscal year 2008.

(4) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects		
Statewide Sales Tax	General	\$ 49,500
Special Revenue, Physical Plant and Equipment Levy	General	307,000
Total		<u>\$ 356,500</u>

The interfund loans between the General Fund and the Capital Projects, Statewide Sales Tax and the Special Revenue, Physical Plant and Equipment Levy were made during the year for cashflow for the General Fund.

The District's Board of Directors has subsequently approved the repayment of the interfund loans in compliance with the declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09B	1/21/09	1/21/10	\$ 1,621,525	13,701	1,601,000	21,054
2009-10A	6/25/09	6/23/10	3,452,818	427	3,399,000	1,164
Total			<u>\$ 5,074,343</u>	<u>14,128</u>	<u>5,000,000</u>	<u>22,218</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments of the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009.

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09B \$	0	1,781,000	1,781,000	0

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 407,931	49,970	0	457,901
Construction in progress	13,463	1,954,774	0	1,968,237
Total capital assets not being depreciated	421,394	2,004,744	0	2,426,138
Capital assets being depreciated:				
Buildings	12,210,333	196,895	0	12,407,228
Land improvements	999,256	927,663	0	1,926,919
Machinery and equipment	2,324,969	303,068	30,300	2,597,737
Total capital assets being depreciated	15,534,558	1,427,626	30,300	16,931,884
Less accumulated depreciation for:				
Buildings	5,148,736	245,899	0	5,394,635
Land improvements	532,185	92,760	0	624,945
Machinery and equipment	1,882,019	176,342	28,260	2,030,101
Total accumulated depreciation	7,562,940	515,001	28,260	8,049,681
Total capital assets being depreciated, net	7,971,618	912,625	2,040	8,882,203
Governmental activities capital assets, net	\$ 8,393,012	2,917,369	2,040	11,308,341

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 265,276	0	0	265,276
Less accumulated depreciation	243,667	4,653	0	248,320
Business-type activities capital assets, net	\$ 21,609	(4,653)	0	16,956

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 6,031
Other		28,651
Support services:		
Student		2,040
Administration		6,616
Operation and maintenance of plant		12,765
Transportation		120,239
		<u>176,342</u>
Unallocated depreciation		338,659
		<u>515,001</u>
Total governmental activities depreciation expense		\$ 515,001
Business-type activities:		
Food services		\$ 4,653

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,495,000	9,860,000	2,115,000	9,240,000	430,000
Early retirement	271,836	0	72,525	199,311	63,195
Compensated absences	100,755	96,182	100,755	96,182	96,182
Net OPEB liability	0	200,143	0	200,143	0
Total	\$ 1,867,591	10,156,325	2,288,280	9,735,636	589,377

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 0	3,857	0	3,857	0

General Obligation Bonds Payable

On July 1, 2008, the District issued \$9,860,000 of general obligation bonds. Of this issue, \$8,350,000 was issued for the purpose of financing costs associated with construction of a new middle school. The remaining \$1,510,000 was issued to advance refund the District's April 1, 1998 bond issue.

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2008			
	Interest Rates	Principal	Interest	Total
2010	3.75	% \$ 430,000	373,118	803,118
2011	3.75	450,000	356,993	806,993
2012	3.75	350,000	340,118	690,118
2013	3.75	360,000	326,993	686,993
2014	3.50	380,000	313,493	693,493
2015-2019	3.50-5.00	2,145,000	1,318,912	3,463,912
2020-2024	3.80-4.00	2,625,000	828,875	3,453,875
2025-2028	4.05-4.10	2,500,000	261,080	2,761,080
Total		\$ 9,240,000	4,119,579	13,359,579

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, 2009, totaled \$72,525 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.

(8) Bond Defeasement

On July 1, 2008, the District issued \$1,510,000 in general obligation bonds to advance refund \$1,495,000 to call the outstanding general obligation bonds dated April 1, 1998. The new advance refunding bonds have been added to the appropriate financial statement and schedules. The defeasement of principal and interest for the year was \$1,495,000 and \$0. The present value savings of this bond refunding is \$18,071.

(9) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to

IPERS for the years ended June 30, 2009, 2008 and 2007 were \$702,023, \$621,648 and \$546,183 respectively, equal to the required contributions for each year.

(10) Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 256 active and 25 retired members in the plan. Employees must be age 55 or older at retirement and have ten or more years of continuous service to the District.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Alliance Select. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit.

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

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

The following table shows the components of the District's annual OPEB cost for June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 292,000
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	<u>292,000</u>
Contributions made	<u>(88,000)</u>
Increase in net OPEB obligation	204,000
Net OPEB obligation - beginning of year	<u>0</u>
Net OPEB obligation - end of year	<u><u>\$ 204,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2009.

For fiscal year 2009, the District contributed \$88,000 to the medical plan. Plan members receiving benefits contributed \$18,000, or 17% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/09	\$ 292,000	30.14%	\$ 204,000

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$1.758 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.758 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9.451 million, and the ratio of the UAAL to the covered payroll was 18.6%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by a percentage each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2007 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$683 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(11) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), and Iowa Code Chapter 28E organization. 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 for life and disability.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2009 were \$30,865.

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.

(12) Construction Commitment

As of June 30, 2009, costs of \$1,968,237 had been incurred on various construction contracts for construction of a new middle school. When construction is completed, the final cost will be added to the District's capital asset listing.

(13) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

Project	Amount
Home school assistance program	\$ 12,589
Talented and gifted	32,711
Drop out prevention	74,323
Beginning teacher mentoring program	4,097
Market factor	4,711
Model core curriculum	26,137
Professional development	5,894
Market factor incentives	9,944
Total	<u>\$ 170,406</u>

(14) 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 \$600,552 for

the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(15) Administration Office Lease

The District entered into a lease agreement to rent a building for the administration office. Per terms of the lease agreement, the District has agreed to pay \$1,500 a month through May 31, 2010.

(16) Deficit Fund Balance/Net Assets

At June 30, 2009, the General Fund has a deficit unreserved undesignated fund balance of \$1,776,535. The District also had a deficit unrestricted net assets balance in the governmental activities of \$1,964,526.

REQUIRED SUPPLEMENTARY INFORMATION

WINTERSET COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 7,983,923	432,350	8,416,273	8,004,143	8,004,143	412,130
Intermediate sources	868	0	868	0	0	868
State sources	9,069,606	8,377	9,077,983	9,500,816	9,500,816	(422,833)
Federal sources	534,599	307,628	842,227	543,000	543,000	299,227
Total revenues	17,588,996	748,355	18,337,351	18,047,959	18,047,959	289,392
Expenditures/Expenses:						
Instruction	11,104,723	0	11,104,723	11,535,017	11,535,017	430,294
Support services	4,964,752	1,502	4,966,254	5,526,844	5,526,844	560,590
Non-instructional programs	11,793	733,545	745,338	866,130	866,130	120,792
Other expenditures	4,953,347	0	4,953,347	3,566,522	5,000,000	46,653
Total expenditures/expenses	21,034,615	735,047	21,769,662	21,494,513	22,927,991	1,158,329
Excess(deficiency) of revenues over(under) expenditures/expenses	(3,445,619)	13,308	(3,432,311)	(3,446,554)	(4,880,032)	1,447,721
Other financing sources, net	8,458,696	0	8,458,696	5,000	5,000	8,453,696
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	5,013,077	13,308	5,026,385	(3,441,554)	(4,875,032)	9,901,417
Balance beginning of year	1,918,152	119,797	2,037,949	2,498,338	2,498,338	(460,389)
Balance end of year	\$ 6,931,229	133,105	7,064,334	(943,216)	(2,376,694)	9,441,028

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures by \$1,433,478.

WINTERSET COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 (IN THOUSANDS)
 REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial			Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
		Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)				
July 1 ,2008	\$ -	\$ 1,758	\$ 1,758	0.0%	\$ 9,451	18.6%	

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

WINTERSET COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2009

	Special Revenue			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 74,280	188,489	22,137	284,906
Receivables:				
Property tax:				
Current year delinquent	6,234	0	2,344	8,578
Succeeding year	381,000	0	126,786	507,786
Interfund	0	0	307,000	307,000
Accounts	200	4,943	0	5,143
Due from other governments	18	0	6	24
Total assets	\$ 461,732	193,432	458,273	1,113,437
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 0	16,030	1,294	17,324
Deferred revenue:				
Succeeding year property tax	381,000	0	126,786	507,786
Total liabilities	381,000	16,030	128,080	525,110
Unreserved fund balances	80,732	177,402	330,193	588,327
Total liabilities and fund balances	\$ 461,732	193,432	458,273	1,113,437

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2009

	Special Revenue				Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Support Trust	
Revenues:					
Local sources:					
Local tax	\$ 324,331	0	120,250	0	444,581
Other	21,860	280,460	1,702	0	304,022
State sources	198	0	70	0	268
Total revenues	346,389	280,460	122,022	0	748,871
Expenditures:					
Current:					
Instruction:					
Regular	99,475	0	0	0	99,475
Other	1,270	300,364	0	0	301,634
Support services:					
Student	1,489	0	0	0	1,489
Instructional staff	1,057	0	0	0	1,057
Administration	9,727	0	0	0	9,727
Operation and maintenance of plant	187,589	0	0	0	187,589
Student transportation	39,507	0	6,000	0	45,507
Non-instructional programs:					
Food service operations	11,793	0	0	0	11,793
Other:					
Facilities acquisition	0	0	127,257	0	127,257
Total expenditures	351,907	300,364	133,257	0	785,528
Deficiency of revenues under expenditures	(5,518)	(19,904)	(11,235)	0	(36,657)
Other financing uses:					
Transfer out	0	0	0	(11,599)	(11,599)
Change in fund balances	(5,518)	(19,904)	(11,235)	(11,599)	(48,256)
Fund balance beginning of year	86,250	197,306	341,428	11,599	636,583
Fund balance end of year	\$ 80,732	177,402	330,193	0	588,327

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Elementary School:				
Interest	\$ 0	40	40	0
Champs	741	7	748	0
PTO	26	0	0	26
Memory Book	1,036	3,837	3,110	1,763
	<u>1,803</u>	<u>3,884</u>	<u>3,898</u>	<u>1,789</u>
Middle School:				
Interest	0	558	558	0
Band Resale	(3,082)	2,952	3,330	(3,460)
5th and 6th Grade	374	52	135	291
Husky Buck	216	0	75	141
Champs	5,965	2,395	(282)	8,642
Field Trips	1,617	0	0	1,617
Magazine Fund	33,704	29,455	22,114	41,045
Recorders	25	0	0	25
Tech Projects	216	0	0	216
Supply Hut	6	0	0	6
Band	0	2,252	2,252	0
Activity Tickets	20,027	3,995	16,331	7,691
Uniform	4,106	1,000	0	5,106
Cross Country	105	100	110	95
Boys Basketball	0	533	533	0
Football	0	1,337	1,337	0
Boys Track	304	2,216	271	2,249
Wrestling	0	5,099	5,099	0
Girls Basketball	0	890	890	0
Volleyball	0	1,847	2,147	(300)
Don't use this	0	384	0	384
Girls Track	0	1,070	166	904
Cheerleaders	1,235	0	0	1,235
Yearbook	0	2,406	0	2,406
Student Council	504	1,185	1,239	450
TSA	1,682	0	0	1,682
	<u>67,004</u>	<u>59,726</u>	<u>56,305</u>	<u>70,425</u>
High School:				
Activity Tickets	1,206	18,654	19,337	523
Interest	0	1,395	1,395	0
Champs	798	1,040	1,565	273
Concessions	678	12,458	12,381	755
Pop Machine	2,980	4,315	6,018	1,277
Play	90	6,979	8,480	(1,411)
Forensic	778	5,242	6,274	(254)
Vocal	2,404	10,014	8,584	3,834
Band	3,757	13,897	13,116	4,538
Color Guard	6	0	0	6
Uniforms	440	2,700	3,140	0

WINTERSET COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
High School (Continued):				
Weightlifting	2,284	1,220	1,327	2,177
Coed Track	10,217	2,462	0	12,679
Cross Country	1,430	1,331	2,384	377
Boys Basketball	3,365	3,326	4,797	1,894
Football	15,254	16,106	19,274	12,086
Boys Soccer	2,887	7,244	6,925	3,206
Baseball	1,014	3,725	4,739	0
Boys Track	1,092	4,902	3,749	2,245
Golf	245	300	441	104
Boys Drill Team	0	2,616	1,858	758
Wrestling	3,887	5,585	6,297	3,175
Girls Basketball	1,168	2,691	3,162	697
Volleyball	3,680	5,811	7,184	2,307
Girls Soccer	3,462	10,114	9,734	3,842
Softball	786	7,507	8,096	197
Girls Track	225	2,863	2,278	810
Cheerleaders	4,009	1,901	4,334	1,576
Girls Golf	116	644	760	0
Drill Team	637	10,362	10,314	685
Class of 2009	4,020	500	4,520	0
Class of 2010	3,505	5,758	3,178	6,085
Class of 2011	1,568	1,764	761	2,571
Class of 2012	500	1,330	94	1,736
Class of 2013	0	500	0	500
AFS	1,378	750	859	1,269
Boomerang	11,629	9,901	16,382	5,148
FBLA	1,592	9,362	9,312	1,642
FCCLA	3,335	0	0	3,335
MOC	674	460	315	819
Pep Club	9,339	8,693	11,058	6,974
Renaissance	288	0	0	288
SADD	134	0	0	134
Science Club	2,710	2,825	1,860	3,675
Student Council	4,831	319	1,503	3,647
TSA	181	684	696	169
WHS-TV	6,877	5,395	9,576	2,696
Y-Teen	3,812	258	414	3,656
FFA	1,491	0	0	1,491
Art Club	1,232	947	1,640	539
Spanish Club	508	0	50	458
	128,499	216,850	240,161	105,188
Total	\$ 197,306	280,460	300,364	177,402

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET FOR CAPITAL PROJECTS FUND
 JUNE 30, 2009

	Capital Projects Fund		
	Building Projects	Statewide Sales Tax	Total
Assets			
Cash and pooled investments	\$ 7,052,318	190,066	7,242,384
Interfund receivable	0	49,500	49,500
Due from other governments	0	445,525	445,525
Total Assets	\$ 7,052,318	685,091	7,737,409
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 250	5,875	6,125
Fund balances:			
Reserved for construction	7,052,068	0	7,052,068
Unreserved	0	679,216	679,216
Total fund balances	7,052,068	679,216	7,731,284
Total Liabilities and Fund Balances	\$ 7,052,318	685,091	7,737,409

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2009

	Capital Projects Fund			
	Building Projects	Track Project	Statewide Sales Tax	Total
Revenues:				
Local sources:				
Local tax	\$ 0	0	988,207	988,207
Other	241,116	62,262	2,227	305,605
Total revenues	241,116	62,262	990,434	1,293,812
Expenditures:				
Current:				
Support services:				
Administration services	17,073	0	0	17,073
Student transportation	0	0	166,640	166,640
Other expenditures:				
Facilities acquisitions	1,518,892	62,730	1,578,580	3,160,202
Long-term debt:				
Interest and fiscal charges	114,630	0	0	114,630
Total expenditures	1,650,595	62,730	1,745,220	3,458,545
Deficiency of revenues under expenditures	(1,409,479)	(468)	(754,786)	(2,164,733)
Other financing sources(uses):				
General obligation bonds issuance	9,860,000	0	0	9,860,000
Premium on bond issuance	183,776	0	0	183,776
Discount on bond issuance	(66,927)	0	0	(66,927)
Transfer in	0	468	0	468
Transfer out	(1,506,879)	0	(76,973)	(1,583,852)
Total other financing sources(uses)	8,469,970	468	(76,973)	8,393,465
Excess(Deficiency) of revenues (over)under expenditures and other financing sources(uses)	7,060,491	0	(831,759)	6,228,732
Fund balance beginning of year	(8,423)	0	1,510,975	1,502,552
Fund balance end of year	\$ 7,052,068	0	679,216	7,731,284

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 19,865	96,114	97,854	18,125
Accounts receivable	9,083	5,073	9,083	5,073
Total Assets	\$ 28,948	101,187	106,937	23,198
Liabilities				
Salary and benefits payable	\$ 2,051	339	2,051	339
Accounts payable	64	0	64	0
Due from other groups	26,833	101,187	105,161	22,859
Total Liabilities	\$ 28,948	101,526	107,276	23,198

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 SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 6,682,479	5,902,891	6,300,722	5,835,185	5,654,849	4,843,031
Tuition	556,899	620,456	520,618	485,156	386,039	435,217
Other	744,545	487,229	496,369	406,550	494,275	800,215
Intermediate sources	868	0	18,010	0	0	1,431
State sources	9,069,606	8,805,764	8,160,837	7,818,846	7,007,351	6,528,915
Federal sources	534,599	325,030	310,585	332,412	321,482	376,857
Total	\$ 17,588,996	16,141,370	15,807,141	14,878,149	13,863,996	12,985,666
Expenditures:						
Instruction:						
Regular	\$ 6,538,800	6,343,446	5,595,747	5,055,208	4,948,992	4,573,554
Special	2,798,107	2,505,110	2,688,086	2,313,143	2,023,852	2,104,456
Other	1,767,816	1,497,926	1,058,067	1,316,851	1,328,124	924,385
Support services:						
Student	351,332	449,044	409,289	357,966	360,342	350,360
Instructional staff	556,792	628,644	680,880	504,394	372,882	335,889
Administration	1,854,842	1,282,634	1,195,341	1,110,165	1,069,181	1,055,372
Operation and maintenance of plant	1,501,165	1,470,629	1,299,559	1,345,656	1,125,081	1,194,716
Transportation	700,621	710,525	774,989	774,339	549,379	545,414
Non-instructional programs	11,793	8,654	8,796	11,651	9,236	8,089
Other expenditures:						
Facilities acquisitions	3,287,459	665,627	612,179	124,997	314,833	284,342
Long-term debt:						
Principal	620,000	545,000	875,000	830,000	805,000	1,187,000
Interest and other charges	445,336	94,390	128,110	160,313	190,797	235,961
AEA flow-through	600,552	562,800	522,435	488,789	445,626	432,742
Total	\$ 21,034,615	16,764,429	15,848,478	14,393,472	13,543,325	13,232,280

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	\$ 31,184
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	276,444
			<u>307,628</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	7056-G	161,661
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES - RECOVERY ACT	84.389	FY 09	7,419
			<u>169,080</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	9,561
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 09	55,722
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES (TITLE VI A)	84.369	FY 09	10,214
ARRA - STATE FISCAL STABILIZATION FUND (SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 09	142,545
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)			
ARRA - SPECIAL EDUCATION GRANTS TO STATES (PART B), RECOVERY ACT	84.027	FY 09	88,949
	84.391	FY 09	48,836
			<u>137,785</u>
SPECIAL EDUCATION - GRANTS TO STATES (PART B), POSITIVE BEHAVIOR SUPPORT	84.027	FY 09	599
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 08	1,217
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 09	9,692
			<u>10,909</u>
TOTAL			<u>\$ 844,043</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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 17, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Winterset Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Winterset Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Winterset Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Winterset Community School District's financial statements that is more than inconsequential will not be prevented or detected by Winterset Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Winterset Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-09 is a material weakness.

Compliance and Other Matters

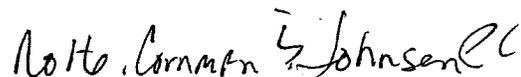
As part of obtaining reasonable assurance about whether Winterset Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have 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, 2009 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.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

December 17, 2009

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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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, 2009. 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 grant 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, 2009.

Internal Control Over Compliance

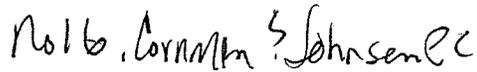
The management of Winterset Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Winterset 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Winterset Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

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


NOLTE, CORNMAN & JOHNSON, P.C.

December 17, 2009

WINTERSET COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies 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) No material weaknesses in internal control over major programs were noted.
- (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 84.027 - Special Education - Grants to States(Part B)
 - CFDA Number 84.391 - ARRA - Special Education Grants to States(Part B), Recovery Act
 - Clustered
 - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
 - CFDA Number 84.389 - Title I - ARRA Grants to Local Educational Agencies - Recovery Act
 - Individual
 - CFDA Number 84.394 - ARRA State Fiscal Stabilization Fund(SFSF)
Education State Grants, (Recovery Act)
- (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.

WINTERSSET COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-09 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 within the Activity Fund 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.

CONTROL DEFICIENCIES:

II-B-09 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however Activity Fund purchase orders were either completed after the product had been ordered or not completed at all.

Recommendation -The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District will review the current purchase order procedures, amend if necessary and enforce compliance consistently throughout all funds.

Conclusion - Response accepted.

WINTERSET COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

WINTERSET COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-09 Certified Budget - District disbursements for the year ended June 30, 2009, did not exceed the amounts budgeted.

IV-B-09 Questionable Disbursements - We noted during our audit that the District wrote checks from the Student Activity Fund that were subsequently cashed to buy gift cards/gift certificates to give to students as incentive prizes. Gift cards/gift certificates do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District has discontinued the practice of purchasing gift cards for student incentive awards.

Conclusion - Response accepted.

IV-C-09 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-D-09 Business Transactions - Business transactions between the District and District officials are as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mary Ann Orr, HS Secretary Daughter owns Outback Embroidery	Supplies	\$89

In accordance with Attorney General's Opinion dated July 2, 1990, the above transactions with the employee of the District do not appear to present a conflict of interest.

IV-E-09 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-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

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

Response - We will submit minutes for publication in a timely manner; however, we have no control over the actual publication date.

Conclusion - Response accepted.

IV-G-09 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were open enrolled out was overstated by 2.3 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management .

Conclusion - Response accepted.

IV-H-09 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-I-09 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.

IV-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales and services tax revenue			988,207
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	745,062	
Equipment		166,640	
Debt service for school infrastructure:			
General obligation debt		76,505	988,207
		<u>76,505</u>	<u>988,207</u>
Ending balance		\$	<u>0</u>

Levies reduced as a result of statewide sales and services tax received:

	<u>Per \$1,000</u>	<u>Property Tax</u>
	<u>of Taxable</u>	<u>Dollars</u>
	<u>Valuation</u>	
Debt service levy	<u>0.19913</u>	<u>\$ 76,505</u>

IV-L-09 Financial Condition - The District has four negative accounts within the Student Activity Fund totaling \$5,425. The District has a deficit undesignated unreserved fund balance of \$1,776,535 in the General Fund. The District also has a deficit unrestricted net assets balance in the governmental activities of \$1,964,526.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should continue to monitor this fund and investigate alternatives to eliminate the deficits.

Response - The District is taking measures to address the deficits. The District review current purchase order procedures and amend to include the determination of available funds in the approval process.

Conclusion - Response accepted.

IV-M-09 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District will review outstanding checks on a quarterly basis and void, reissue or submit to the State Treasurer as unclaimed property.

Conclusion - Response accepted.

IV-N-09 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The District will have the Board President sign all contracts.

Conclusion - Response accepted.