

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	15-16
Statement of Activities	B	17-18
Governmental Fund Financial Statements:		
Balance Sheet	C	19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	23
Statement of Revenues, Expenses, and Changes in Net Assets	H	24
Statement of Cash Flows	I	25
Notes to Financial Statements		26-36
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		38
Budget to GAAP Reconciliation		39
Notes to Required Supplementary Information - Budgetary Reporting		40
	<u>Schedule</u>	
Other Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	42
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	43
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	44
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	45
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		46-47
Schedule of Findings		48-51

Independent Auditor's Report

To the Board of Education of
North Winneshiek 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 North Winneshiek Community School District, Decorah, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 North Winneshiek Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, North Winneshiek Community School District adopted Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement Number 38, Certain Financial Statement Note Disclosures; Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated October 15, 2004, on our consideration of North Winneshiek Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Winneshiek Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

October 15, 2004

North Winneshiek Community School District

Management Discussion & Analysis

This section of the North Winneshiek Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2004. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section. Because the North Winneshiek Community School District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

Financial Highlights

- The North Winneshiek CSD Board of Directors approved a property tax decrease from \$12.08 to \$11.85 per \$1,000 taxable valuation.
- The State of Iowa imposed a reduction in State Foundation Aid, Instructional Support Programs, Educational Excellence Allocations, Teacher Compensation Allocations, and Iowa Early Intervention Allocations in November, which reduced state FY04 revenues by \$97,700 in the General Fund.
- Since the reduction occurred mid year, the District had already obligated the resources to fund fiscal 2004 salaries and programs. The District responded to the reduction by a combination of reducing expenditures in technology; purchased services; equipment and supplies; and using a portion of fund balance.
- Because of the reduction in revenues and the increase in salaries, benefits, utilities and special education costs the District's General Fund balance decreased by \$100,400.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *Government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.
- The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

- *Proprietary funds statements* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year.

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

Figure A-1

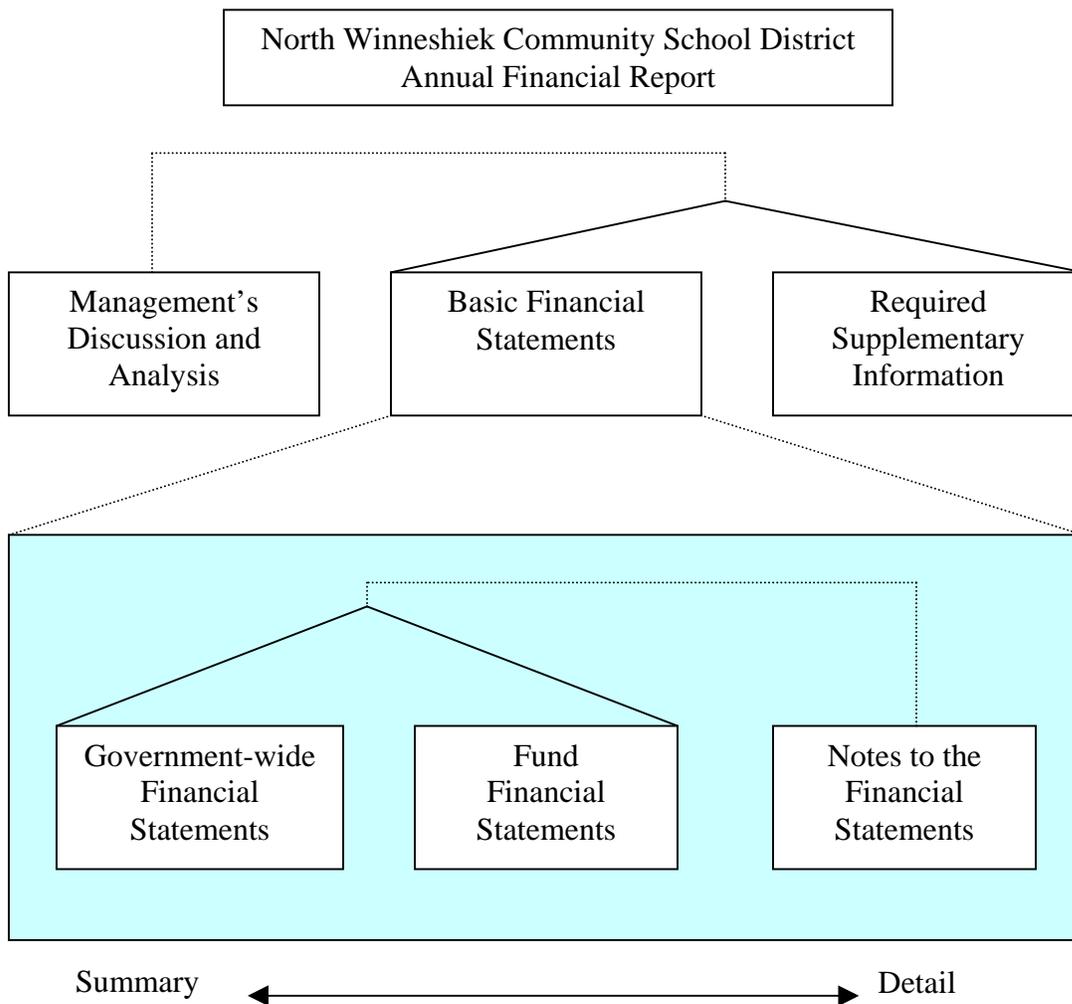


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents of each of the statements.

*Figure A-2
Major Features of the Government-wide and Fund Financial Statements*

	Government-wide Statements	Fund Financial 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 business: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flow 	<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 and payable	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

Government-wide Statements

The Government-wide 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 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, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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 taxes 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 food service program would be 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:

- *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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements. The District's governmental funds include the General Fund and Special Revenue Funds that consist of Activity, Management, and Physical Plant and Equipment Levy funds.

- *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 statements. The District's enterprise fund, one type of a proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

Financial Analysis of the District as a Whole

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following is a summary perspective of the statement of net assets of the District as a whole. The North Winneshiek Community School District's net assets at the end of fiscal year 2004 totaled \$1,412,047.

Figure A-3

Condensed Statement of Net Assets			
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total School District</u>
	<u>2004</u>	<u>2004</u>	<u>2004</u>
Current and other assets		\$6,917	\$2,401,738
Capital assets	1,369,864	5,832	1,375,694
Total Assets	<u>3,764,685</u>	<u>12,747</u>	<u>3,777,432</u>
Long-term liabilities	864,196	-	864,196
Other liabilities	1,500,556	633	1,501,189
Total liabilities	<u>2,364,752</u>	<u>633</u>	<u>2,365,385</u>
Net Assets:			
Invested in capital assets, net of related debt	519,198	5,830	525,028
Restricted	365,307	-	365,307
Unrestricted	<u>515,428</u>	<u>6,284</u>	<u>521,712</u>
TOTAL NET ASSETS	<u><u>1,399,933</u></u>	<u><u>12,114</u></u>	<u><u>1,412,047</u></u>

Changes in net assets. Fiscal year 2003-2004 marks the initial District implementation of the GASB-34 financial reporting model. As a result, prior year comparisons are not available but will be provided in all subsequent years. *Figure A-4* reflects only totals from the current fiscal year ending June 30, 2004.

Governmental Activities -

Referring to *Figure A-4*, revenues for the District's governmental activities were \$3,044,900 for fiscal year 2004. Total governmental expenditures were \$3,097,654.

Figure A-4

Changes in Net Assets from Operating Results

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total School District</u>
	<u>2004</u>	<u>2004</u>	<u>2004</u>
Revenues			
Program Revenues			
Charges for services	\$267,458	\$47,492	\$314,950
Operating Grants & Contributions	314,039	45,561	359,600
Capital Grants & Contributions	-	-	-
General Revenues			
Property taxes & other taxes	1,339,652	-	1,339,652
Unrestricted State Grants	1,109,326	-	1,109,326
Unrestricted Investment Earnings	8,161	-	8,161
Other Revenue	6,264	-	6,264
Total Revenues	\$3,044,900	\$93,053	\$3,137,953
Expenses			
Instruction	2,221,331	-	2,221,331
Support Services	623,153	-	623,153
Non-Instructional Programs	6,783	80,096	86,879
Other Expenses	246,387	-	246,387
Total Expenses	\$3,097,654	\$80,096	\$3,177,750
Transfers	(4,920)	4,920	-
Change in Net Assets	\$(57,674)	\$17,877	\$(39,797)

Figure A-5

Net Cost of Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2004</u>	<u>2004</u>
Instruction	\$2,221,331	\$1,751,874
Support Services	623,153	619,364
Non-instructional Programs	6,783	6,783
Other Expenses	246,387	138,136
TOTAL	\$3,097,654	\$2,516,157

Figure A-5 presents the cost of the District's major governmental activities: instruction, support services, non-instruction programs and other expenses. The table shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions. (As with Figure A-4, a two-year comparison with the prior fiscal year is not possible under the new GASB 34 format. In the future a two-year comparison will be provided.)

- The cost of all governmental activities this year was \$3,097,654.
- Some of the cost was financed by the users of the District's programs \$267,458.
- The federal and state governments and private contributors subsidized certain programs with grants and contributions \$314,039.
- Most of the District's costs \$2,516,157, however, were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$1,339,652 in various local taxes, and \$1,109,326 in unrestricted state aid (based in large part on the statewide education aid formula), investment earnings and miscellaneous revenues.

Business-Type Activities -

The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income. The District's business-type activities show a slight increase in net assets with revenues exceeding expenses \$12,957 (refer to *Figure A-4*). The \$4,920 transfer from Governmental Activities to Business-Type Activities was for equipment that was purchased using Capital Projects funds then added to the Nutrition Fund's capital assets making the Change in Net Assets \$17,877.

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$823,647.

Governmental Fund Highlights

The General Fund balance decreased from \$598,255 to \$497,855. The reduction was due to the state cutting its funding by 2.5%, maintaining the commitments to the negotiated salary/benefits settlements, and the elimination of Phase III funding. The board chose to use the carryover fund balance to maintain its obligations to the staff and students.

The Nonmajor Governmental Funds (Management, Student Activity Fund, PPEL, and Debt Service Funds) balance decreased from \$125,096 to \$41,797. The decrease was due in large part to purchasing a bus, a computer lab, paying down the debt and paying early retirement benefits.

The Capital Projects Fund balance increased from \$189,056 to \$283,995. The one cent sales tax money provides a significant amount of money that can be used for building improvements, for purchasing capital assets (busses, vans and computers) and for paying off debt. We are banking a portion of the SILO money to pay off the debt sooner than the full amortized schedule.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$-5,763 in June 30, 2003 to \$12,114 in June 30, 2004, representing an increase of 100%. There was a slight increase in free/reduced meals

served that contributed to an increase in federal aid reimbursement and a more accurate accounting system was used to track revenue and expenses.

Budgetary Highlights

The District’s Board of Education annually adopts a budget as required by Iowa law. Proper public notice and a required public hearing are held before final approval of the budget. State statute required approval of the budget on or before April 15th of each year. The budget is prepared using the cash basis of accounting. The budget document presents functional disbursements by fund and the legal level of control is at the expense level by total Instruction, total Support Services, total Non-Instructional Programs, total Other Expenditures and Total Expenditures. The District amends the budget, as allowed by Iowa law, generally once per year to reflect the additional revenues and expenditures that may occur during the school year.

In spite of the amendment the budget was exceeded in the instruction and other expenditures functions due to the timing year end disbursements without adequate time to amend the budget again.

The following chart shows the original and amended budget for fiscal 2004 as well as the actual revenue and expenditures for the year:

	Budgetary Comparison Schedule			
	Total Actual	Budget Amounts		Variance
Original		Final		
Receipts:	\$	\$	\$	\$
Local Sources	1,662,079	1,584,376	1,584,376	77,703
State Sources	1,301,966	1,314,372	1,314,372	(12,406)
Federal Sources	168,432	91,500	91,500	76,932
Total receipts	3,132,477	2,990,248	2,990,248	142,229
Disbursements:				
Instruction	2,277,459	2,014,200	2,082,705	(194,754)
Support services	649,789	745,638	745,638	95,849
Non-instructional programs	90,347	26,000	244,104	153,757
Other expenditures	285,383	213,554	213,554	(71,829)
Total disbursements	3,302,978	2,999,392	3,286,001	(16,977)

Capital Asset and Debt Administration

Capital Assets

By the end of 2004, the District had invested \$1,375,694, net of accumulated depreciation, in a broad range of assets, including school buildings, athletic facilities, transportation equipment, and computer and audio-visual equipment (see *Figure A-6*). (More detailed information about

capital assets can be found in Note 6 of the financial statements.) The District used a lease purchase agreement (capital lease) to acquire two buses during fiscal year 2004.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities	Business Type Activities	Total School District
	2004	2004	2004
Land	10,000	-	10,000
Construction in progress	-	-	-
Buildings	1,162,380	-	1,162,380
Equipment & Furniture	197,484	5,830	203,314
TOTAL	<u>1,369,864</u>	<u>5,830</u>	<u>1,375,694</u>

Long-Term Debt

At June 30, 2004, the District had \$805,000 general obligation bonds outstanding (Figure A-7). This represents a decrease of approximately 6.4% from last year. Additional information about the District's long-term debt is presented in Note 7 of the financial statements.

Figure A-7

Long-Term Debt

	Balance End of 2004	Due Within One Year
General obligation bonds	\$805,000	\$55,000
Capital Projects	45,666	22,348
Early retirement	13,530	13,530
Total	<u>\$864,196</u>	<u>\$90,878</u>

Factors Bearing on the District's Future

The District is projected to remain in good financial health far into the future. Budgeting practices such as making sure disbursements do not exceed receipts, even during challenging years like FY04, combined with a solid foundation of cash balance and unspent balance, allow the District to provide the resources needed for excellent student achievement while still keeping the tax burden reasonable. FY06 looks brighter as the district will gain new money for the first time in several years. The district had an enrollment increase and a 4% increase in allowable growth rate from the state. However, costs outside of the Board's control such as continual increases in health insurance and utility costs are worrisome, and employee contract settlements will also have an effect on the District's financial viability.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Tim Dugger, Superintendent, North Winneshiek Community School District, 3495 North Winn Road, Decorah, Iowa 52101.

BASIC FINANCIAL STATEMENTS

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities \$	Business Type Activities \$	Total \$
Assets			
Cash and cash equivalents:			
ISCAP	284,927	-	284,927
Other	967,321	11,207	978,528
Receivables:			
Property tax:			
Delinquent	24,346	-	24,346
Succeeding year	996,815	-	996,815
Accounts	-	82	82
Accrued interest:			
ISCAP	1,550	-	1,550
Due from other governments	110,420	-	110,420
Interfund receivable(payable)	9,442	(9,442)	-
Inventories	-	5,070	5,070
Capital assets, net of accumulated depreciation	1,369,864	5,830	1,375,694
Total assets	3,764,685	12,747	3,777,432
Liabilities			
Warrants in excess of bank balance	45,267	-	45,267
Accounts payable	13,667	-	13,667
Salaries and benefits payable	154,018	-	154,018
Accrued interest payable	4,075	-	4,075
Deferred revenue:			
Succeeding year property tax	996,815	-	996,815
Other	-	633	633
ISCAP warrants payable	283,000	-	283,000
ISCAP accrued interest payable	2,350	-	2,350
ISCAP premium	1,364	-	1,364
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	55,000	-	55,000
Capital leases	22,348	-	22,348
Early retirement	13,530	-	13,530
Portion due after one year:			
General obligation bonds payable	750,000	-	750,000
Capital leases	23,318	-	23,318
Total liabilities	2,364,752	633	2,365,385

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	519,198	5,830	525,028
Restricted for:			
Capital outlay	300,381	-	300,381
Other special revenue purposes	16,279	-	16,279
Debt service	48,647	-	48,647
Unrestricted	<u>515,428</u>	<u>6,284</u>	<u>521,712</u>
Total net assets	<u><u>1,399,933</u></u>	<u><u>12,114</u></u>	<u><u>1,412,047</u></u>

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	1,600,845	179,428	125,124	-
Special instruction	552,080	53,619	80,664	-
Other instruction	68,406	30,622	-	-
	<u>2,221,331</u>	<u>263,669</u>	<u>205,788</u>	<u>-</u>
Support services:				
Student services	46,381	3,699	-	-
Instructional staff services	33,155	-	-	-
Administration services	215,968	-	-	-
Operation and maintenance of plant services	125,561	-	-	-
Transportation services	202,088	90	-	-
	<u>623,153</u>	<u>3,789</u>	<u>-</u>	<u>-</u>
Non-instructional programs	<u>6,783</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	42,583	-	-	-
Long-term debt interest	41,640	-	-	-
AEA flowthrough	108,251	-	108,251	-
Depreciation (unallocated)*	53,913	-	-	-
	<u>246,387</u>	<u>-</u>	<u>108,251</u>	<u>-</u>
Total governmental activities	<u>3,097,654</u>	<u>267,458</u>	<u>314,039</u>	<u>-</u>
Business type activities				
Non-instructional programs:				
Food service operations	<u>80,096</u>	<u>47,492</u>	<u>45,561</u>	<u>-</u>
Total	<u>3,177,750</u>	<u>314,950</u>	<u>359,600</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets beginning of year, as restated				
Net assets end of year				

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

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(1,296,293)	-	(1,296,293)
(417,797)	-	(417,797)
(37,784)	-	(37,784)
<u>(1,751,874)</u>	<u>-</u>	<u>(1,751,874)</u>
(42,682)	-	(42,682)
(33,155)	-	(33,155)
(215,968)	-	(215,968)
(125,561)	-	(125,561)
(201,998)	-	(201,998)
<u>(619,364)</u>	<u>-</u>	<u>(619,364)</u>
<u>(6,783)</u>	<u>-</u>	<u>(6,783)</u>
(42,583)	-	(42,583)
(41,640)	-	(41,640)
-	-	-
<u>(53,913)</u>	<u>-</u>	<u>(53,913)</u>
<u>(138,136)</u>	<u>-</u>	<u>(138,136)</u>
(2,516,157)	-	(2,516,157)
-	12,957	12,957
<u>(2,516,157)</u>	<u>12,957</u>	<u>(2,503,200)</u>
1,031,923	-	1,031,923
29,381	-	29,381
68,640	-	68,640
209,708	-	209,708
1,109,326	-	1,109,326
8,161	-	8,161
6,264	-	6,264
<u>2,463,403</u>	<u>-</u>	<u>2,463,403</u>
<u>(4,920)</u>	<u>4,920</u>	<u>-</u>
<u>2,458,483</u>	<u>4,920</u>	<u>2,463,403</u>
<u>(57,674)</u>	<u>17,877</u>	<u>(39,797)</u>
<u>1,457,607</u>	<u>(5,763)</u>	<u>1,451,844</u>
<u>1,399,933</u>	<u>12,114</u>	<u>1,412,047</u>

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2004

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:				-
ISCAP	284,927	-	-	284,927
Other	615,005	253,825	98,491	967,321
Receivables:				
Property tax:				
Delinquent	22,771	-	1,575	24,346
Succeeding year	888,874	-	107,941	996,815
Accrued interest - ISCAP	1,550	-	-	1,550
Interfund receivable	22,444	-	(13,002)	9,442
Due from other governments	80,250	30,170	-	110,420
	<u>1,915,821</u>	<u>283,995</u>	<u>195,005</u>	<u>2,394,821</u>
Total assets				
Liabilities and Fund Balances				
Liabilities:				
Warrants issued in excess of bank balance	-	-	45,267	45,267
Accounts payable	13,667	-	-	13,667
Salaries and benefits payable	154,018	-	-	154,018
ISCAP warrants payable	283,000	-	-	283,000
ISCAP accrued interest payable	2,350	-	-	2,350
ISCAP premium	1,364	-	-	1,364
Deferred revenue:				
Succeeding year property tax	888,874	-	107,941	996,815
Other	74,693	-	-	74,693
Total liabilities	<u>1,417,966</u>	<u>-</u>	<u>153,208</u>	<u>1,571,174</u>
Fund balances:				
Reserved for:				
Debt service	-	-	52,722	52,722
Unreserved	497,855	283,995	(10,925)	770,925
Total fund balances	<u>497,855</u>	<u>283,995</u>	<u>41,797</u>	<u>823,647</u>
	<u>1,915,821</u>	<u>283,995</u>	<u>195,005</u>	<u>2,394,821</u>
Total liabilities and fund balances				

NORTH WINNESHIEK Community SCHOOL DISTRICT

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

June 30, 2004

Total fund balances of governmental funds (Exhibit C)	823,647
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,369,864
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	74,693
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	(4,075)
Long-term liabilities, including bonds payable, capital leases and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(864,196)</u>
Net assets of governmental activities (Exhibit A)	<u><u>1,399,933</u></u>

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2004

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,061,246	209,708	68,698	1,339,652
Tuition	176,324	-	-	176,324
Other	70,741	1,463	33,355	105,559
State sources	1,301,267	-	21	1,301,288
Federal sources	122,077	-	-	122,077
Total revenues	<u>2,731,655</u>	<u>211,171</u>	<u>102,074</u>	<u>3,044,900</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,560,224	-	66,574	1,626,798
Special instruction	552,080	-	-	552,080
Other instruction	39,174	-	29,232	68,406
	<u>2,151,478</u>	<u>-</u>	<u>95,806</u>	<u>2,247,284</u>
Support services:				
Student services	45,932	-	449	46,381
Instructional staff services	32,781	-	374	33,155
Administration services	207,388	-	1,871	209,259
Operation and maintenance of plant services	115,688	-	12,886	128,574
Transportation services	165,679	-	81,164	246,843
	<u>567,468</u>	<u>-</u>	<u>96,744</u>	<u>664,212</u>
Non-instructional programs	4,858	-	1,925	6,783
Other expenditures:				
Facilities acquisition	-	40,894	1,689	42,583
Long-term debt:				
Principal	-	-	93,031	93,031
Interest and fiscal charges	-	-	41,518	41,518
AEA flowthrough	108,251	-	-	108,251
	<u>108,251</u>	<u>40,894</u>	<u>136,238</u>	<u>285,383</u>
Total expenditures	<u>2,832,055</u>	<u>40,894</u>	<u>330,713</u>	<u>3,203,662</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(100,400)</u>	<u>170,277</u>	<u>(228,639)</u>	<u>(158,762)</u>
Other financing sources (uses):				
Proceeds from long-term loans	-	-	70,000	70,000
Operating transfers in	-	-	114,212	114,212
Operating transfers out	-	(75,338)	(38,874)	(114,212)
Total other financing sources (uses)	<u>-</u>	<u>(75,338)</u>	<u>145,338</u>	<u>70,000</u>
Net change in fund balances	(100,400)	94,939	(83,301)	(88,762)
Fund balances beginning of year, as restated	<u>598,255</u>	<u>189,056</u>	<u>125,098</u>	<u>912,409</u>
Fund balances end of year	<u><u>497,855</u></u>	<u><u>283,995</u></u>	<u><u>41,797</u></u>	<u><u>823,647</u></u>

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(88,762)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the year as follows:

Expenditures for capital assets	70,000	
Depreciation expense	<u>(110,351)</u>	(40,351)

Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	93,031
---	--------

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.	(122)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	48,530
------------------	--------

Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.	<u>(70,000)</u>
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Changes in net assets of governmental activities (Exhibit B)	<u><u>(57,674)</u></u>
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NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds
June 30, 2004

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	11,207
Inventories	82
Accounts receivable	5,070
Capital assets, net of accumulated depreciation	<u>5,830</u>
Total assets	<u>22,189</u>
Liabilities	
Interfund Payable	9,442
Deferred revenue	<u>633</u>
Total liabilities	<u>10,075</u>
Net assets	
Invested in capital assets, net of related debt	5,830
Unrestricted	<u>6,284</u>
Total net assets	<u><u>12,114</u></u>

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2004

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>47,492</u>
Operating expenses:	
Non-instructional programs:	
Salaries	35,856
Benefits	13,276
Supplies	30,487
Depreciation	<u>477</u>
	<u>80,096</u>
Operating gain (loss)	<u>(32,604)</u>
Non-operating revenue:	
State sources	1,327
Federal sources	<u>44,234</u>
Total non-operating revenue	<u>45,561</u>
Gain (loss) before contributions	12,957
Capital contributions	<u>4,920</u>
Change in net assets	17,877
Net assets beginning of year	<u>(5,763)</u>
Net assets end of year	<u><u>12,114</u></u>

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2004

	Nonmajor School Nutrition <u> </u> \$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	47,277
Cash payments to employees for services	(49,132)
Cash payments to suppliers for goods or services	(24,460)
Net cash used by operating activities	<u>(26,315)</u>
Cash flows from non-capital financing activities:	
State grants received	1,327
Federal grants received	36,056
Net cash provided by non-capital financing activities	<u>37,383</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	-
Net increase (decrease) in cash and cash equivalents	11,068
Cash and cash equivalents at beginning of year	<u>139</u>
Cash and cash equivalents at end of year	<u><u>11,207</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(32,604)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	8,178
Depreciation	477
Decrease (increase) in inventories	(2,151)
Decrease (increase) in accounts receivable	(50)
(Decrease) increase in deferred revenue	<u>(165)</u>
Net cash used in operating activities	<u><u>(26,315)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$8,178 of federal commodities.

During the year the school nutrition fund received \$4,920 in equipment which was purchased by the the Capital Projects Fund.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies

North Winneshiek Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Burr Oak, Bluffton and Highlandville, Iowa and the predominately agricultural territory in a portion of Winneshiek 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, North Winneshiek 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 North Winneshiek Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003, through June 30, 2004, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	500
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	300

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

<u>Assets Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Furniture and equipment	3-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable 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 receivable and other receivables not collected within sixty days after year end.

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the instruction and other expenditures functions exceeded the amounts budgeted.

2. **Cash and Pooled Investments**

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

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

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$801,405 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
General Fund	Special Revenue: Management Fund	32,927
Debt Service Fund	General Fund	19,925
General Fund	Enterprise: School Nutrition Fund	9,442

The interfund receivables are loans from each respective fund all of which may not be repaid in the next year.

4. Interfund Transfers

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

Transfer to	Transfer from	Amount
		\$
Debt Service Fund	Special Revenue: Physical Plant and Equipment Levy Fund	38,874
Debt Service Fund	Capital Projects Fund	75,338
Enterprise: School Nutrition Fund	Capital Projects Fund	4,920

The transfer to the School Nutrition Fund reflects equipment purchased by the Capital Projects Fund that is used for the school nutrition program.

The other two transfers moved revenues from the funds statutorily required to collect the resources to the fund statutorily required to expend the resources.

5. Iowa School Cash Anticipation Program (ISCAP)

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

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2003-04B	1/30/04	1/28/05	284,927	1,550	283,000	2,350

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	-	-	-

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 %
2003-04B	2.000	1.131

6. Capital Assets

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

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Total capital assets not being depr.	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Capital assets being depreciated:				
Buildings	1,993,227	-	-	1,993,227
Improvements other than buildings	292,665	-	-	292,665
Furniture and equipment	793,422	70,000	11,000	852,422
Total capital assets being deprec.	<u>3,079,314</u>	<u>70,000</u>	<u>11,000</u>	<u>3,138,314</u>
Less accumulated depreciation for:				
Buildings	790,782	40,065	-	830,847
Improvements other than buildings	262,979	13,848	-	276,827
Furniture and equipment	625,338	56,438	11,000	670,776
Total accumulated depreciation	<u>1,679,099</u>	<u>110,351</u>	<u>11,000</u>	<u>1,778,450</u>
Total capital assets being depreciated, net	<u>1,400,215</u>	<u>(40,351)</u>	<u>-</u>	<u>1,359,864</u>
Governmental activities capital assets, net	<u>1,410,215</u>	<u>(40,351)</u>	<u>-</u>	<u>1,369,864</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	16,552	4,920	-	21,472
Less accumulated depreciation	15,165	477	-	15,642
Business type activities capital assets, net	1,387	4,443	-	5,830

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	22,577
Support Services:	
Administration services	6,709
Operation and maintenance of plant services	1,907
Transportation	25,245
	56,438
Unallocated depreciation	53,913
Total depreciation expense – governmental activities	110,351
Business type activities:	
Food services	477

7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	860,000	-	55,000	805,000	55,000
Capital leases	13,697	70,000	38,031	45,666	22,348
Early retirement	62,060	-	48,530	13,530	13,530
Total	935,757	70,000	141,561	864,196	90,878

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on the employee's salary schedule in effect the last year of employment. Early retirement expenditures for the year ended June 30, 2004 totaled \$48,530.

General Obligation Bonds Payable

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

<u>Year Ending June 30,</u>	<u>Bond Issue of May, 1998</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
2005	55,000	37,955	92,955
2006	60,000	35,508	95,508
2007	60,000	32,807	92,807
2008	65,000	30,078	95,078
2009	70,000	27,088	97,088
2010-2014	405,000	82,291	487,291
2015	<u>90,000</u>	<u>4,388</u>	<u>94,388</u>
	<u>805,000</u>	<u>250,115</u>	<u>1,055,115</u>

Capital Leases

The District has leased 2 buses under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, [2004](#).

	<u>Year Ending June 30,</u>	<u>Amount</u>
		<u>\$</u>
	2005	24,334
	2006	24,334
Minimum Lease Payments		<u>48,668</u>
Less Amount Representing Interest		<u>3,002</u>
Present Value of Minimum Lease Payments		<u>45,666</u>

8. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, [2004](#), [2003](#) and [2002](#). Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, [2004](#), [2003](#), and [2002](#) were \$62,347, \$63,384, and \$82,750 respectively, equal to the required contributions for each year.

9. Risk Management

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

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

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. The District's annual contributions to ISEBA for the year ended June 30, 2004, were \$174,336.

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

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

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

North Winneshiek 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.

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$108,251 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Accounting Change and Restatement

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities, and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

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

	Fund			Total
	General	Capital Projects	Nonmajor	
	\$		\$	\$
Net assets, June 30, 2003, as previously reported	598,255	189,056	113,230	900,541
GASB Interpretation 6 adjustments	-	-	11,868	11,868
Net assets, July 1, 2003, as restated for governmental funds	<u>598,255</u>	<u>189,056</u>	<u>125,098</u>	912,409
GASB 34 adjustments:				
Capital assets net of accumulated depreciation of \$1,679,099				1,410,215
Net assets and liabilities of Internal Service Fund				
Long-term liabilities:				
Bonds				(873,697)
Early retirement				(62,060)
Accrued interest payable				(3,953)
Deferred revenue				<u>74,693</u>
Net assets, July 1, 2003, as restated				<u>1,457,607</u>

REQUIRED SUPPLEMENTARY INFORMATION

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	1,614,802	47,277	1,662,079	1,584,376	1,584,376	77,703
State sources	1,300,639	1,327	1,301,966	1,314,372	1,314,372	(12,406)
Federal sources	124,198	44,234	168,432	91,500	91,500	76,932
Total receipts	<u>3,039,639</u>	<u>92,838</u>	<u>3,132,477</u>	<u>2,990,248</u>	<u>2,990,248</u>	<u>142,229</u>
Disbursements:						
Instruction	2,277,459	-	2,277,459	2,014,200	2,082,705	(194,754)
Support services	649,789	-	649,789	745,638	745,638	95,849
Non-instructional programs	8,577	81,770	90,347	26,000	244,104	153,757
Other expenditures	285,383	-	285,383	213,554	213,554	(71,829)
Total disbursements	<u>3,221,208</u>	<u>81,770</u>	<u>3,302,978</u>	<u>2,999,392</u>	<u>3,286,001</u>	<u>(16,977)</u>
Excess (deficiency) of receipts over (under) disbursements	(181,569)	11,068	(170,501)	(9,144)	(295,753)	125,252
Other financing sources (uses) net	<u>70,000</u>	<u>-</u>	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>70,000</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	(111,569)	11,068	(100,501)	(9,144)	(295,753)	195,252
Balance beginning of year	<u>1,033,623</u>	<u>139</u>	<u>1,033,762</u>	<u>1,062,435</u>	<u>1,062,435</u>	<u>(28,673)</u>
Balance end of year	<u><u>922,054</u></u>	<u><u>11,207</u></u>	<u><u>933,261</u></u>	<u><u>1,053,291</u></u>	<u><u>766,682</u></u>	<u><u>166,579</u></u>

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	3,039,639	5,261	3,044,900
Expenditures	3,221,208	(17,546)	3,203,662
Net	(181,569)	22,807	(158,762)
	70,000	-	70,000
Beginning fund balances	1,033,623	(121,214)	912,409
Ending fund balances	<u>922,054</u>	<u>(98,407)</u>	<u>823,647</u>
	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	\$	\$	\$
Revenues	92,838	215	93,053
Expenditures	81,770	(1,674)	80,096
Net	11,068	1,889	12,957
Other financing sources (uses) net	-	4,920	4,920
Beginning fund balances	139	(5,902)	(5,763)
Ending fund balances	<u>11,207</u>	<u>907</u>	<u>12,114</u>

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the [cash basis](#). Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. 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 disbursements by \$298,609.

During the year ended June 30, [2004](#), disbursements in the [instruction and other expenditures](#) functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds				Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Debt Service	
	\$	\$	\$	\$	\$
Cash and pooled investments	33,703	16,279	15,712	32,797	98,491
Receivables:					
Property tax:					
Delinquent	901	-	674	-	1,575
Succeeding year	79,500	-	28,441	-	107,941
Interfund receivable(payable)	(32,927)	-	-	19,925	(13,002)
Total assets	81,177	16,279	44,827	52,722	195,005
Liabilities & Fund Balances					
Liabilities:					
Warrants issued in excess of bank balance	45,267	-	-	-	45,267
Deferred revenue:					
Succeeding year property tax	79,500	-	28,441	-	107,941
Total liabilities	124,767	-	28,441	-	153,208
Fund balances:					
Reserved for debt service	-	-	-	52,722	52,722
Unreserved fund balance	(43,590)	16,279	16,386	-	(10,925)
Total fund balances	(43,590)	16,279	16,386	52,722	41,797
Total liabilities and fund balances	81,177	16,279	44,827	52,722	195,005

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Special Revenue Funds				Total
	Management	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	39,317	-	29,381	-	68,698
Other	3,126	29,847	129	253	33,355
State sources	-	-	21	-	21
Total revenues	<u>42,443</u>	<u>29,847</u>	<u>29,531</u>	<u>253</u>	<u>102,074</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	53,443	-	13,131	-	66,574
Other instruction	-	29,232	-	-	29,232
Support services:					
Student services	449	-	-	-	449
Instructional staff services	374	-	-	-	374
Administration services	1,871	-	-	-	1,871
Operation and maintenance of plant services	11,075	-	1,811	-	12,886
Transportation services	11,164	-	70,000	-	81,164
Non-instructional programs	1,925	-	-	-	1,925
Other expenditures:					
Facilities acquisition	-	-	1,689	-	1,689
Long-term debt:					
Principal	-	-	-	93,031	93,031
Interest and fiscal charges	-	-	-	41,518	41,518
Total expenditures	<u>80,301</u>	<u>29,232</u>	<u>86,631</u>	<u>134,549</u>	<u>330,713</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(37,858)</u>	<u>615</u>	<u>(57,100)</u>	<u>(134,296)</u>	<u>(228,639)</u>
Other financing sources (uses):					
Proceeds from long-term loans	-	-	70,000	-	70,000
Operating transfers in	-	-	-	114,212	114,212
Operating transfers out	-	-	(38,874)	-	(38,874)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>31,126</u>	<u>114,212</u>	<u>145,338</u>
Net change in fund balances	(37,858)	615	(25,974)	(20,084)	(83,301)
Fund balances beginning of year, as restated	<u>(5,732)</u>	<u>15,664</u>	<u>42,360</u>	<u>72,806</u>	<u>125,098</u>
Fund balances end of year	<u>(43,590)</u>	<u>16,279</u>	<u>16,386</u>	<u>52,722</u>	<u>41,797</u>

See accompanying independent auditor's report.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Interest	178	90	-	268
Investments	2,023	-	-	2,023
Summer recreation	1,865	2,797	3,596	1,066
Staff activity	60	18	76	2
Playground	5,275	-	-	5,275
Drama	338	-	-	338
Athletics	(958)	1,850	1,202	(310)
Elementary soccer	1,135	702	1,295	542
Yearbook	160	816	1,040	(64)
Elementary student council	366	455	386	435
M.S. student senate	2,024	9,594	9,022	2,596
National Honor Society	4	-	4	-
Clearing	519	10,577	10,579	517
Misc.	2,299	1,329	1,478	2,150
Rebates	376	1,619	554	1,441
	<u>15,664</u>	<u>29,847</u>	<u>29,232</u>	<u>16,279</u>
Total				

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,339,652	1,305,657	1,245,576	1,084,204
Tuition	176,324	175,310	236,797	244,183
Other	105,559	93,069	147,546	125,382
Intermediate sources	-	-	-	1,000
State sources	1,301,288	1,398,967	1,527,505	1,454,627
Federal sources	122,077	130,025	154,758	154,094
Total revenues	3,044,900	3,103,028	3,312,182	3,063,490
Expenditures:				
Instruction:				
Regular instruction	1,626,798	1,592,302	1,398,000	1,352,262
Special instruction	552,080	534,936	435,367	420,873
Other instruction	68,406	54,219	225,816	223,262
Support services:				
Student services	46,381	39,818	54,357	51,768
Instructional staff services	33,155	35,829	33,271	32,132
Administration services	209,259	200,168	284,057	277,719
Operation and maintenances of plant services	128,574	121,611	206,257	198,247
Transportation services	246,843	173,343	156,553	171,776
Non-instructional programs	6,783	13,503	13,520	6,957
Other expenditures:				
Facilities acquisition	42,583	21,073	44	13,265
Long-term debt:				
Principal	93,031	62,904	57,157	75,155
Interest and other charges	41,518	47,850	47,960	47,456
AEA flowthrough	108,251	116,759	118,843	119,323
Total expenditures	3,203,662	3,014,315	3,031,202	2,990,195

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

To the Board of Education of the
North Winneshiek Community School District:

We have audited the financial statements of the North Winneshiek Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 15, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether North Winneshiek 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 grants, noncompliance 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 noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for items 04-II-B, 04-II-J, 04-II-K, 04-II-L and 04-II-M.

Internal Control over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items [04-I-A](#), [04-I-B](#), [04-I-C](#) and [04-I-D](#) are material weaknesses. Prior year reportable conditions have all been resolved except for items [04-I-A](#), [04-I-B](#) and [04-I-C](#).

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

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

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

October 15, [2004](#)

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

04-I-B Signature Stamp: We noted that a stamp bearing the signature of the Board President was used to cosign checks. The stamp is under the care, custody, and control of the administrative office. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate a person other than the Board President to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

04-I-C Accounting System: The cash and investment balances were not reconciled to the fund balances or to the accounting system as of **June 30, 2004**.

Recommendation: The cash and all investments should be reconciled on a monthly basis to the accounting system and a report should be submitted to the Board of Education for their review for each fund. A cash receipt system should be implemented to account for all receipts in all funds and these receipts should then be reconciled to the accounting system on a monthly basis.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

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

District Response: We have changed our procedures and are reconciling cash and investments to fund balances on a monthly basis.

Conclusion: Response accepted.

04-I-D

Supporting Documentation: We tested expenditures and noted no supporting documentation for one online credit card purchase, four activity fund transactions and one travel reimbursement.

Recommendation: The District should have detailed supporting invoices before making any payments of all expenditures.

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

Conclusion: Response accepted.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

04-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

04-II-B Certified Budget: Disbursements for the year ended June 30, 2004, exceeded the amounts budgeted in the instructional and other expenditures functional areas.

Recommendation: The budget was amended in accordance with Chapter 24.9 of the Code of Iowa but not in sufficient amounts. The district needs to compute expenditures in all four functional areas for all funds before it amends the budget.

District Response: We will try to do a more accurate accounting prior to amending our budget to ensure we amend our budget in sufficient amounts in the future.

Conclusion: Response accepted.

04-II-C Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

04-II-E Business Transactions: We noted no transactions between the District and District officials or employees.

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

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

04-II-H Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education for September 2003, was understated by three students.

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

District Response: We will contact these departments.

Conclusion: Response accepted.

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

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

04-II-J Certified Annual Report (CAR): The fiscal portion of the CAR was filed late with the Department of Education, and we noted some significant differences in the amounts reported.

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

Recommendation: The CAR should be amended with the Department of Education.

District Response: We will amend our CAR.

Conclusion: Response accepted.

04-II-K Physical Plant and Equipment Levy Fund: We noted that this fund included some purchases for individual items of equipment/supplies with a cost of less than \$500.

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

District Response: We will monitor expenditures from this fund.

Conclusion: Response accepted.

04-II-L Reclassification of Student Activity Fund Accounts: There are some accounts in the Student Activity Fund that may belong more appropriately in other funds.

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.

04-II-M Financial Condition: The District has a \$43,590 deficit fund balance in the Management Fund, and in two Student Activity Fund accounts at June 30, 2004.

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

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

Conclusion: Response accepted.