NORTH WINNESHIEK
COMMUNITY SCHOOL DISTRICT
DECORAH, IOWA

FINANCIAL REPORT

JUNE 30, 2005

TABLE OF CONTENTS

		Page
BOARD OF EDUCATION AND SCHOOL OFFICIALS		1
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS		2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)		3
BASIC FINANCIAL STATEMENTS	Exhibit	
District-Wide Financial Statements		
Statement of Net Assets	A	4
Statement of Activities	B	5
Governmental Fund Financial Statements		
Balance Sheet	C	6-7
Statement of Revenues, Expenditures, and Changes in Fund Balances	D	8-9
Proprietary Fund Financial Statements		
Statement of Net Assets	E	10
Statement of Revenues, Expenses, and Changes in Net Assets	F	11
Statement of Cash Flows	G	12
Notes to Financial Statements		13-22
Required Supplementary Information		
Budgetary Comparison Schedule of Receipts, Disbursements, And Changes in Balance-Budget and Actual (Cash Basis)- All Governmental Funds and Proprietary Fund		23
Budget to GAAP Reconciliation		24
Notes to Required Supplementary Information-Budgetary Reporting		25
INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION		26
OTHER SUPPLEMENTARY INFORMATION	Schedule	
Combining Balance Sheet – Nonmajor Governmental Funds	1	27
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	2	28
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	29
Comparative Schedule of Revenues and Expenditures	4	30
Schedule of Expenditures of Federal Awards	5	31
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*		32-33
MANAGEMENT LETTER		34-36

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION AND SCHOOL OFFICIALS

Name	Title	Address	Term Expires
	Board of Education (Before September 2004 Election)		
Phil Richert	President	Mabel, Minnesota	2006
Matt Jackson	Vice President	Decorah, Iowa	2005
Halley Sutton	Member	Decorah, Iowa	2006
Renae McIntosh	Member	Decorah, Iowa	2004
Myron Rediske	Member	Mabel, Minnesota	2004
	Board of Education (After September 2004 Election)		
Phil Richert	President	Mabel, Minnesota	2006
Matt Jackson	Vice President	Decorah, Iowa	2005
Halley Sutton	Member	Decorah, Iowa	2006
Renae McIntosh	Member	Decorah, Iowa	2007
Myron Rediske	Member	Mabel, Minnesota	2007

School Officials

Tim Dugger - Superintendent
Deborah Jones - District Secretary/Treasurer

HACKER, NELSON & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
and BUSINESS CONSULTANTS

123 WEST WATER STREET
P.O. BOX 507
DECORAH, IOWA 52101
TELEPHONE 563 382-3637
FAX 563 382-5797
E-MAIL @HACKERNELSON.COM

INDEPENDENT AUDITOR'S REPORT ON THE THE FINANCIAL STATEMENTS

To the Board of Education
North Winneshiek Community School District
Decorah, Iowa

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 as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of North Winneshiek Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2005, on our consideration of North Winneshiek Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on page 3 and pages 23 through 25, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hacker, Nelson + Co., P.C.

Decorah, Iowa
August 19, 2005

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
DECORAH, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2005

Management of North Winneshiek Community School District provides this Management's Discussion and Analysis of North Winneshiek Community School District's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005.

The intent of this discussion and analysis is to look at the North Winneshiek Community School District's financial performance as a whole with comparisons to the previous fiscal year activities. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

In total, governmental net assets increased by $4,920. Property taxes decreased approximately $63,200 and local option sales tax increased approximately by $48,492. District program expenses were 4% or approximately $126,986 more in 2005 than in 2004.

General Fund revenues accounted for $2,870,154 in revenue or 87.4% of all revenues. General Fund expenditures accounted for $2,915,064 in expenditures or 88.7% of all expenditures.

USING THE BASIC FINANCIAL STATEMENTS

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand North Winneshiek Community School District as a financial whole, or as an entire operating entity.

The statement of net assets and statement of activities provide information about the activities of North Winneshiek Community School District as a whole and present an overall view of the District's finances and a longer-term view of those finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report North Winneshiek Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds with all other non-major funds presented in total in a single column. For North Winneshiek Community School District, the General Fund, Management-Special Revenue Fund, Physical Plant and Equipment Levy-Special Revenue Fund and Capital Projects Fund are the more significant funds. The remaining statements provide financial information about activities for which North Winneshiek Community School District acts solely as an agent or custodian for the benefit of those outside of the government.

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

Required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Other supplementary information provides detailed information about the nonmajor special revenue.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

The government-wide financial statements report information about the District as a whole using accounting methods similar to the accounting used by most 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 statement of net assets presents all of the District's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the District's net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

The statement of activities present information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

In the statement of net assets and statement of activities, the District is divided into two distinct kinds of activities:

Governmental Activities: Most of the District's programs and services are reported here, including instruction, co-curricular activities, support services, (nursing, guidance, media, administration), building and grounds operation and maintenance, and pupil transportation. Property tax and state aid finance most of these activities.

Business-Type Activities: These services are provided on a charge for goods or services basis to recover all of the expenses for the goods or services provided. The District's school nutrition program is included here.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide more detailed information about the District's major funds. The District uses different funds in accordance with the Uniform Financial Accounting for Iowa LEA's, as required by the Iowa Department of Education, to record its financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, Management-Special Revenue Fund, Physical Plant and Equipment Levy-Special Revenue Fund and Capital Projects Fund.

Governmental Funds

Governmental funds account for most of the District's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

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

Proprietary Funds

Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary funds are reported in the same way as the governmental-wide financial statements.

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

A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 2005 totaled $1,403,544.

Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total		Percent
	2004	2005	2004	2005	2004	2005	Change
Current and other assets	$ 2,395	$ 2,046	$ 7	$ 9	$ 2,402	$ 2,055	-14.45%
Capital assets	1,370	1,394	6	6	1,376	1,400	1.74%
Total assets	3,765	3,440	13	15	3,778	3,455	-8.55%
Long-term debt outstanding	850	803	-	-	850	803	-5.53%
Other liabilities	1,515	1,232	1	16	1,516	1,248	-17.68%
Total liabilities	2,365	2,035	1	16	2,366	2,051	-13.31%
Net assets							
Invested in capital assets, net of related debt	519	621	6	6	525	627	19.43%
Restricted	365	373	-	-	365	373	2.19%
Unrestricted	516	411	6	(7)	522	404	-22.61%
Total net assets	$ 1,400	$ 1,405	$ 12	$ (1)	$ 1,412	$ 1,404	-0.57%

The following analysis shows the change in net assets for the year ending June 30, 2005:

Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total		Percent
	2004	2005	2004	2005	2004	2005	Change
Revenues:							
Program revenue							
Charges for service	$ 267	$ 294	$ 47	$ 45	$ 314	$ 339	7.96%
Operating grants	314	257	46	45	360	302	-16.11%
General revenue							
Property taxes	1,061	998	-	-	1,061	998	-5.94%
Sales tax and surtax	279	327	-	-	279	327	17.20%
Unrestricted state grants	1,109	1,278	-	-	1,109	1,278	15.24%
Unrestricted investment earnings	8	39	-	-	8	39	387.50%
Other revenue	6	18	5	-	11	18	63.64%
Total revenues	3,044	3,211	98	90	3,142	3,301	5.06%
Program expenses:							
Instruction	2,221	2,240	-	-	2,221	2,240	0.86%
Student support	623	653	-	-	623	653	4.82%
Non-instructional programs	7	19	80	103	87	122	40.23%
Other expenses	251	294	-	-	251	294	17.13%
Total expenses	3,102	3,206	80	103	3,182	3,309	-3.99%
Increase (decrease) in net assets	(58)	5	18	(13)	(40)	(8)	80.00%
Net assets Beginning of Year	1,458	1,400	(6)	12	1,452	1,412	-2.75%
Net assets End of Year	$ 1,400	$ 1,405	$ 12	$ (1)	$ 1,412	$ 1,404	-0.57%

INDIVIDUAL FUND ANALYSIS

As the District completed the year, its governmental funds reported a combined fund balance of $823,079, a $568 decrease of the 2004 fiscal year end balance of $823,647. The District spent $126,986 more than from the prior fiscal year.

- The General Fund received less revenue during fiscal year 2005 through property taxes. The General Fund expenditures decreased in instructional area and increased in the support services area to net to a $70,816 increase in expenditures. The ending fund balance showed a decrease from the prior year of $497,855 to $452,945.

- The Management Fund balance increased $26,179 during fiscal year 2005. Revenues increased from prior year and the District had less retiree obligations which lowered expenditures to help improve the financial condition of the fund.

- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased $952 during fiscal year 2005. While revenues decreased from prior year, the District substantially reduced spending from the PPEL Fund in order to improve the financial condition of the fund.

- The Capital Projects Fund balance increased due to the collection of the local option sales tax. The District will be using these funds for capital projects in the next fiscal year.

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 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.

The following chart shows the original and amended budget for fiscal 2005 as well as the actual revenue and expenditures for the year:

Budgetary Comparison Schedule
(Expressed in Thousands)

	Actual Basis	Budget Amounts Original	Variance
Receipts			
Local sources	$ 1,720	$ 1,734	$ (14)
Intermediate sources	1	-	1
State sources	1,483	1,335	148
Federal sources	150	122	28
Total receipts	$ 3,354	$ 3,191	$ 163
Disbursements			
Instruction	$ 2,234	$ 2,143	$ (91)
Student support	686	711	25
Non-instructional programs	103	99	(4)
Other expenses	339	261	(78)
Total disbursements	$ 3,362	$ 3,214	$ (148)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2005, North Winneshiek Community School District had $1,393,984 invested in a broad range of capital assets, including buildings, land and equipment for the governmental activities. For the enterprise funds, the District had $5,757 invested in equipment in the school nutrition fund.

The District had depreciation expense of $112,883 for fiscal 2005 and total accumulated depreciation of $1,954,179 as of June 30, 2005. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt

At year-end, the District had approximately $808,319 in bonds and other debt compared to approximately $864,196 last year. More detail is presented in Note 5 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt that districts can issue to 5 percent of the assessed valued of all taxable property within the District's corporate limits. The District's outstanding general obligation debt is significantly below this $4,309,231 limit.

Other obligations include accrued vacation pay. More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

1. The District's spending authority for FY05 is $545,362.00; which is the highest the District has ever seen. Just 7 years ago, during FY98, the spending authority was $2,704.00. The spending authority gives an accurate picture of the District's financial health. It is safe to say that North Winneshiek's current financial status is good. The 3 stated reasons for the increased spending authority are listed below.

- The 9-12 whole grade sharing agreement with Decorah and the 9-12 reciprocal sharing agreement with Mabel-Canton has allowed the District to control the rising costs of educating students.
- The county's local option sales tax has allowed the District to allocate funding to:
    - district infrastructure,
    - buses,
    - computers
    - and payment on the District's debt.

  The local option sales tax provides direct property tax relief.
- The District's prudent financial planning and management has allowed it to stay open and has laid a strong foundation for the future.

The District will eventually reach a spending authority peak. It is uncertain when that will happen. The District will continue to be fiscally responsible as it prepares for the future as an independent school district.

2. The District's revenue is directly tied to student enrollment. Therefore, it is important to analyze enrollment trends. The District's enrollment will drop from FY06 359.2 to FY07 329.3, which is a net loss of 29.9 students. The decline was attributed to open enrolled out students and student losses with the 9-12 sharing agreements. These students will not affect the District's finances due to our status as a flow through agency. We receive state funding for these students and then turn around and pay other school districts for their education.

The other 10.2 students will cost the District directly. Due to this slight decline, we will receive about $54,000.00 less in revenue next year.

The District views this decline as a temporary issue and believes it will be able to have stable student enrollment for the long term.

The District will make the necessary adjustments to absorb the revenue loss.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of North Winneshiek Community School District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Office, North Winneshiek Community School District, 3495 North Winn Rd, Decorah, IA 52101.

EXHIBIT A

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments			
Other	$ 985,708	$ 4,018	$ 989,726
Receivables			
Property tax			
Delinquent	19,205		19,205
Succeeding year	987,738		987,738
Due from other governments	53,655		53,655
Inventories		4,968	4,968
Capital assets, non-depreciable	10,000		10,000
Capital assets, net of accumulated depreciation	1,383,984	5,757	1,389,741
Total assets	$ 3,440,290	$ 14,743	$ 3,455,033
LIABILITIES			
Excess of outstanding checks over bank balance	$ 63,792		$ 63,792
Accounts payable	38,916	$ 788	39,704
Salaries and benefits payable	148,047		148,047
Interfund payable (receivable)	(15,266)	15,266	-
Accrued interest payable	3,889		3,889
Deferred revenue			
Succeeding year property tax	987,738		987,738
Long-term liabilities			
Portion due within one year			
Bonds payable	60,000		60,000
Capital leases	23,319		23,319
Early retirement	5,436		5,436
Portion due after one year			
Bonds payable	690,000		690,000
Early retirement	29,564		29,564
Total liabilities	2,035,435	16,054	2,051,489
NET ASSETS			
Invested in capital assets, net of related debt	620,665	5,757	626,422
Restricted for			
Debt service	29,978		29,978
Capital projects	327,936		327,936
Physical plant and equipment levy	15,434		15,434
Unrestricted (deficit)	410,842	(7,068)	403,774
Total net assets (deficit)	1,404,855	(1,311)	1,403,544
Total liabilities and net assets	$ 3,440,290	$ 14,743	$ 3,455,033

See Notes to Financial Statements.

EXHIBIT B

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

Functions and Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental activities						
Instruction						
Regular instruction	$ 1,700,664	$ 179,763	$ 39,433	$ (1,481,468)		$ (1,481,468)
Special instruction	456,109	42,091	91,167	(322,851)		(322,851)
Other instruction	82,900	9,478	18,075	(55,347)		(55,347)
	2,239,673	231,332	148,675	(1,859,666)		(1,859,666)
Support services						
Student services	34,847	49,004		14,157		14,157
Instructional staff services	47,342			(47,342)		(47,342)
Administration services	224,794			(224,794)		(224,794)
Operation and maintenance plant services	151,919	3,950		(147,969)		(147,969)
Transportation services	194,162	10,000		(184,162)		(184,162)
	653,064	62,954		(590,110)		(590,110)
Non-instructional	18,804			(18,804)		(18,804)
Other						
Long-term debt interest	40,158			(40,158)		(40,158)
Facilities acquisition	91,343			(91,343)		(91,343)
AEA flowthrough	108,509		108,509	-		-
Depreciation (unallocated)	54,424			(54,424)		(54,424)
	294,434		108,509	(185,925)		(185,925)
Total governmental activities	3,205,975	294,286	257,184	(2,654,505)		(2,654,505)
Business-type activities						
Non-instructional programs						
Nutrition services	103,681	45,076	45,180		$ (13,425)	(13,425)
Total	$ 3,309,656	$ 339,362	$ 302,364	(2,654,505)	(13,425)	(2,667,930)
General revenues						
Property taxes levied for						
General purposes				890,066		890,066
Management				79,572		79,572
PPEL				28,466		28,466
Local option sales tax and surtax				326,840		326,840
Unrestricted state grants				1,278,290		1,278,290
Unrestricted investment earnings				39,292		39,292
Other				16,899		16,899
Total general revenues				2,659,425	-	2,659,425
Change in net assets				4,920	(13,425)	(8,505)
Net assets, beginning of year				1,399,935	12,114	1,412,049
Net assets (deficit), end of year				$ 1,404,855	$ (1,311)	$ 1,403,544

See Notes to Financial Statements.

EXHIBIT C

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and pooled investments						
Other	$ 580,151	$ 77,777	$ 14,886	$ 288,644	$ 24,250	$ 985,708
Receivables						
Property tax						
Delinquent	17,126	1,531	548		-	19,205
Succeeding year	859,044	100,000	28,694		-	987,738
Due from other funds	48,193				19,925	68,118
Due from other governments	14,363	-		39,292		53,655
Total assets	$ 1,518,877	$ 179,308	$ 44,128	$ 327,936	$ 44,175	$ 2,114,424
LIABILITIES AND FUND BALANCES						
Liabilities						
Excess of outstanding checks over bank balance		$ 63,792				$ 63,792
Accounts payable	$ 38,916		$ -	$ -	$ -	38,916
Salaries and benefits payable	148,047					148,047
Due to other funds	19,925	32,927				52,852
ISCAP warrants payable	-					-
Deferred revenue						
Succeeding year property tax	859,044	100,000	28,694		-	987,738
Other	-					-
Total liabilities	1,065,932	196,719	28,694	-	-	1,291,345
Fund balances (deficit)						
Reserved for						
Debt service					33,867	33,867
Unreserved, reported in						
General fund	452,945					452,945
Special revenue funds		(17,411)	15,434		10,308	8,331
Capital projects fund				327,936		327,936
Total fund balances (deficit)	452,945	(17,411)	15,434	327,936	44,175	823,079
Total liabilities and fund balances	$ 1,518,877	$ 179,308	$ 44,128	$ 327,936	$ 44,175	$ 2,114,424

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET ASSETS		
Total governmental fund balances	$	823,079
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds, net of accumulated depreciation of $ 1,890,706		1,393,984
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds		
Bonds payable		(750,000)
Compensated absences		(23,319)
Accrued interest		(3,889)
Early retirement		(35,000)
Net assets of governmental activities per Exhibit A	$	1,404,855

See Notes to Financial Statements.

EXHIBIT D

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

	General	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Nonmajor Governmental Funds	Total
REVENUES						
Local sources						
Local property tax	$ 965,958	$ 79,572	$ 28,466			$ 1,073,996
Tuition	217,594	-				217,594
Other	77,445	2,255	154	$ 255,411	$ 49,326	384,591
Intermediate sources	719					719
State sources	1,484,995		250		-	1,485,245
Federal sources	123,443					123,443
Total revenues	2,870,154	81,827	28,870	255,411	49,326	3,285,588
EXPENDITURES						
Current						
Instruction						
Regular instruction	1,644,441	27,111			-	1,671,552
Special instruction	456,109					456,109
Other instruction	27,925				54,975	82,900
	2,128,475	27,111			54,975	2,210,561
Support services						
Student services	47,008	468			-	47,476
Instructional staff services	46,952	390				47,342
Administration services	215,823	1,952			-	217,775
Operation and maintenance plant services	146,808	11,617			-	158,425
Transportation services	204,693	12,102			-	216,795
	661,284	26,529			-	687,813
Non-instructional	16,796	2,008			-	18,804
Other						
Long-term debt						
Principal					77,747	77,747
Interest and fiscal charges					39,942	39,942
Facilities acquisition			29,822	112,958		142,780
AEA flowthrough	108,509					108,509
	108,509	-	29,822	112,958	117,689	368,978
Total expenditures	2,915,064	55,648	29,822	112,958	172,664	3,286,156
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(44,910)	26,179	(952)	142,453	(123,338)	(568)
OTHER FINANCING SOURCES (USES)						
Operating transfers in					98,512	98,512
Operating transfers (out)	-			(98,512)		(98,512)
	-	-	-	(98,512)	98,512	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES	(44,910)	26,179	(952)	43,941	(24,826)	(568)
FUND BALANCE (deficit), beginning of year	497,855	(43,590)	16,386	283,995	69,001	823,647
FUND BALANCE (deficit), end of year	$ 452,945	$ (17,411)	$ 15,434	$ 327,936	$ 44,175	$ 823,079

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES			
Net change in fund balances - total governmental funds			$ (568)
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, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.			
Depreciation	$ (112,256)		
Capital outlays	136,376		24,120
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.			77,347
Other long-term assets that were not available to pay current period expenditures at prior year end, therefore, were deferred revenue in the governmental funds. The assets have been collected and recognized in the governmental funds			(74,693)
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, however, interest expense is recognized as the interest accrues, regardless of when it is due.			184
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 governmental funds.			
Early retirement			(21,470)
Change in net assets of governmental activities per Exhibit B			$ 4,920

See Notes to Financial Statements.

EXHIBIT E

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2005

	School Nutrition Fund
ASSETS	
CURRENT ASSETS	
Cash	$ 4,018
Inventories	4,968
Total current assets	8,986
NONCURRENT ASSETS	
Furniture and equipment	69,230
Less accumulated depreciation	(63,473)
Total noncurrent assets	5,757
Total assets	$ 14,743
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 788
Due to other funds	15,266
Total liabilities	16,054
NET ASSETS (DEFICIT)	
Invested in capital assets, net of related debt	5,757
Unrestricted deficit	(7,068)
Total net assets (deficit)	(1,311)
Total liabilities and net assets	$ 14,743

See Notes to Financial Statements.

EXHIBIT F

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
For the Year Ended June 30, 2005

	School Nutrition Fund
OPERATING REVENUES	
Local sources	
Charges for services	$ 45,076
OPERATING EXPENSES	
Non-instructional programs	
Food service operations	
Salaries and benefits	64,394
Supplies	38,660
Depreciation	627
Total operating expenses	103,681
Operating loss	(58,605)
NONOPERATING REVENUES	
State sources	1,336
Federal sources	43,844
Total nonoperating revenues	45,180
Change in net assets	(13,425)
Net assets beginning of year	12,114
Net assets (deficit) end of year	$ (1,311)

See Notes to Financial Statements.

EXHIBIT G

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2005

	School Nutrition Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from sale of lunches and breakfasts	$ 43,788
Cash received from miscellaneous operating activities	1,526
State grants and federal grants received	37,772
Cash payments to employees for services	(58,571)
Cash payments to suppliers for goods and services	(28,063)
Other payments	(3,641)
Net cash used in operating activities	(7,189)
CASH, beginning of year	11,207
CASH, end of year	$ 4,018
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (13,425)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	627
Decrease in accounts receivable	82
(Increase) in inventories	(102)
(Decrease) in accounts payable	(195)
Increase in reimbursements due to other funds	5,824
Net cash used in operating activities	$ (7,189)

Non-cash, non-capital financing activities:
During the year ended June 30, 2005, the District received commodities valued at $7,408.

See Notes to Financial Statements.

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

The North Winneshiek Community School District is a political subdivision of the State of Iowa. The District's primary purpose is to provide education from 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. It is supported financially by local property taxes, state aid and state and federal grants for special projects. The District is governed by a five-member Board of Education whose members are elected on a non-partisan basis. The District has taxing authority and fund raising capabilities of its own. Final approval of the District's annual program and budget plans rests with the local Board of Education.

b. Significant Accounting Policies

Scope of 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; or the organization is fiscally dependent on the primary government. Also, any other organizations that due to the nature or significance of their relationship with the District should be included in the financial statements as component units. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Joint Venture

The District participates in a jointly governed organization that provides services to the District and meets the criteria of a joint venture since there is ongoing financial interest or responsibility by the participating governments. The District is a member of the Northeast Iowa Conference Schools 28E Retention Pool Trust.

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 Winneshiek County Assessor's Conference Board.

District-wide Financial Statements

The statement of net assets and the statement of activities report information on all non-fiduciary activities of the District. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. For the most part, the effect of interfund activity has been removed from these statements.

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

Fund Financial Statements

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The general fund, management levy and physical, plant and equipment levy-special revenue funds, and the capital projects fund are the major governmental funds for the District. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

The funds of the financial reporting entity are described below:

Governmental

General Fund

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.

Management Levy-Special Revenue Fund

The management levy-special revenue fund is used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Physical Plant and Equipment Levy-Special Revenue Fund

The physical plant and equipment levy-special revenue fund is utilized to account for acquisition of equipment, with the exception of those that are financed through enterprise fund.

Capital Projects Fund

The capital projects fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

Proprietary Fund

Enterprise Fund

The District's proprietary fund is the school nutrition fund. This fund is used to account for the food service operations of the District.

Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements.

On the District-wide statement of net assets and the statement of activities, both governmental and business-type activities are presented using the "economic resources" measurement focus as defined below in item b.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. All governmental fund financial statements are accounted for on current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources." Governmental fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in fund balances. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

b. The proprietary funds are accounted for on economic resources measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their statement of net assets. In reporting the financial activity on the proprietary fund statements, the District applies all applicable GASB pronouncements. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the District has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District-wide and proprietary fund is accounted for using the accrual basis of accounting. The revenues are recognized when they are earned and the expenses are recognized when they are incurred. Property tax is recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the District-wide statements and the statements for governmental funds.

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

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used 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. Expenditures are recorded when the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Revenues susceptible to accrual under the modified accrual basis of accounting are property tax, intergovernmental revenue (shared revenues, grants, and reimbursements from other governments) and interest revenue. Revenues from miscellaneous sources are generally recognized when they are received in cash, as they are generally not measurable until actually received (tuition, fees and sale of services).

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.

Assets, Liabilities and Equity

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

Cash, Pooled Investments and Cash Equivalents

The cash balances of most District funds are pooled and invested. All investment activity is carried on by the District in each individual fund. 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 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.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Equity (Continued)

Property Tax Receivable

Property taxes in the governmental fund are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due from Other Governments

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

Inventories

Inventories are stated at cost using the first-in, first-out method for purchased items and contributed value for governmental commodities. The costs of inventory items are expenses in the proprietary fund type when used.

Capital Assets

Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Capital assets in the proprietary fund are capitalized in the fund in which they are utilized. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	$ 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:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	5-20 years
Furniture and equipment	3-15 years

Excess of Outstanding Checks Over Bank Balance

Excess of outstanding checks over bank balance represents a technical overdraft created by the amount of checks issued exceeding the balances on deposit recorded in the records of the District.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Equity (Continued)

Salaries and Benefits Payable

Payroll and related expenditures or expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities. Also, wages for hourly employees earned in June and paid in July have been accrued as liabilities. The rate in effect at June 30, 2005 was used to calculate the salaries payable.

Deferred Revenue

In the fund financial statements certain revenues are measurable they are not available. Deferred revenue represents 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 the succeeding year property tax receivable. Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Obligation

In the District-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. Early retirement liability has been paid primarily by the non-major governmental management fund.

Compensated Absences

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

Fund Balance

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. Reserved fund balances are used first when expenditure is incurred for purposes for both reserved and unreserved fund balances.

Net Assets

Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisitions, construction, or improvement of those assets.

Restricted net assets consists of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted net assets are used first when an expense is incurred for purposes for both restricted and unrestricted net assets.

Unrestricted net assets represent the difference between assets and liabilities that are not restricted and can be used for future obligations of the District.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

2. Deposits and Pooled Investments

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

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

2. Deposits and Pooled Investments (Continued)

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

	Amortized Cost
Diversified Portfolio	$ 825,455

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

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

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

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2005:

Governmental	
General fund	
Title I	$ 14,363
Capital projects	
Local option sales tax	39,292
	$ 53,655

4. Capital Assets

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

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Governmental activities				
Land	$ 10,000			$ 10,000
Capital assets being depreciated				
Improvements	292,665	$ 50,321		342,986
Buildings	1,993,227			1,993,227
Furniture and equipment	852,422	86,055		938,477
Total capital assets being depreciated	3,138,314	136,376	$ None	3,274,690
Less accumulated depreciation for:				
Improvements	830,847	40,065		870,912
Buildings	276,827	8,844		285,671
Furniture and equipment	670,776	63,347		734,123
Total accumulated depreciation	1,778,450	112,256	None	1,890,706
Total capital assets being depreciated, net	1,359,864	24,120	None	1,383,984
Governmental activities				
Capital assets	$ 1,369,864	$ 24,120	$ None	$ 1,393,984

4. Capital Assets (Continued)

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Business-type activities				
Furniture and equipment	$ 69,230			$ 69,230
Less accumulated depreciation	62,846	$ 627		63,473
Business-type activities				
Capital assets, net	$ 6,384	$ (627)	$ None	$ 5,757

Depreciation expense was charged to the governmental functions of the District as follows:

Governmental activities:	
Instruction:	
Regular	$ 21,401
Support Services:	
Administration services	7,019
Operation and maintenance	1,884
Transportation	27,528
	57,832
Unallocated depreciation	54,424
Total depreciation expense – governmental activities	$ 112,256
Business-type activities	
Food services	$ 627

5. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2005 was as follows:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Amounts Due Within One Year
Governmental activities					
Bonds					
General obligation	$ 805,000		$ 55,000	$ 750,000	$ 60,000
Other liabilities					
Capital leases	45,666		22,347	23,319	23,319
Early retirement	13,530	$ 35,000	13,530	35,000	5,436
	59,196	35,000	35,877	58,319	28,755
Governmental activities					
Long-term liabilities	$ 864,196	$ 35,000	$ 90,877	$ 808,319	$ 88,755

a. 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, 2005 totaled $13,530.

5. Long-term Debt Obligations (Continued)

b. Bonded Indebtedness

$750,000 1998 General Obligation Serial Bonds, due annually in varying installments May 1, 2006 through May 1, 2015 plus interest semi-annually with interest rates of the bonds varying from 5.05% to 5.50%.

A summary of the bond principal and interest maturities is as follows:

Year Ending June 30,	Principal	Interest
2006	$ 60,000	$ 37,512
2007	60,000	34,212
2008	65,000	30,912
2009	70,000	27,662
2010	75,000	24,372
2011-2015	420,000	64,826
	$ 750,000	$ 219,496

At June 30, 2005, the debt issued by the District did not exceed its legal debt margin compiled as follows:

Total assessed valuation	$ 86,184,629
Debt limit – 5% of total assessed valuation	$ 4,309,231
Debt applicable to debt limit	
General obligation bonded debt outstanding	(750,000)
Legal debt margin	$ 3,559,231

c. Capital Leases

The District has leased two 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, 2005.

	Year ending June 30,	Amount
	2006	$ 24,334
Minimum lease payments		$ 24,334
Less amount representing interest		1,015
Present value of minimum lease payments		$ 23,319

6. Due to/from Other Funds

As of June 30, 2005, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund	$ 48,193	$ 19,925
Special revenue funds		
Management fund		32,927
Debt service fund	19,925	
Enterprise funds		
School nutrition	None	15,266
	$ 68,118	$ 68,118

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

7. Interfund Transfers

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

	Transfers In	Transfers Out
Capital projects fund		$ 98,512
Nonmajor governmental	$ 98,512	
Total	$ 98,512	$ 98,512

Transfers are to move resources from the capital projects fund to the debt service fund to help pay bond obligations. Due to the referendum voted by the public, the proceeds from the local option sales tax will help pay bond obligations.

8. Leases

The District has entered into a lease agreement for a postage machine. The agreement is for three years and requires quarterly payments until December 2007.

Future minimum lease payments under the lease agreements are as follows:

Year ended June 30,	
2006	$ 1,020
2007	1,020
2008	510
	$ 2,550

Total lease expense for the year ended June 30, 2005 was $1,020.

9. Pension and Retirement Benefits

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

Plan members are required to contribute 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, 2005, 2004, and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were $66,369, $62,347, and $63,384, respectively, equal to the required contributions for each year.

10. Employee Insurance Plan

The District participates in the Northeast Iowa Conference Schools 28E Retention Pool Trust to provide a medical, dental, life, disability, and welfare plan for its employees and their families. The Trust was formed by the District and ten other districts to create a pool to pay insurance costs. The agreement was effective July 1, 2004 and will continue in force until terminated by mutual agreement of the governing board. The Trust is administered by Group Benefits Consultants, Inc.

Monthly payments of service fees and plan contributions are recorded as expenditures in the general fund at the time of payment to the trust account maintained by Group Benefits Consultants, Inc. The Trust liability is limited to $80,000 per individual annually with a $2,000,000 per individual maximum. Payments from participating members are the sole source for paying claims and establishing reserves for the Trust self-funded programs. Stop loss insurance is purchased by the Trust to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. The District may be contingently liable for any claims in excess of funds available at June 30, 2005, since the pool arrangement allows the Trust to make additional assessments to members. The District's share of the Trust's liability for any unreported claim or assessment at June 30, 2005 was unavailable as of August 19, 2005. The District contributed $212,911 for the year ended June 30, 2005.

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, 2005, no liability has been recorded in the District's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance company coverage. Audited financial statements of Northeast Iowa Conference Schools 28E Retention Pool Trust are available at the North Winneshiek Community School District's office located at 3495 North Winn Road, Decorah, IA 52101.

11. Risk Management

North Winneshiek Community School District is exposed to various risks of loss related to torts; theft; damage to an destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12. 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 $108,509 for the year ended June 30, 2005 and is recorded in the general fund by making a memorandum adjusting entry to the cash basis financial statements.

13. Contingencies

a. Grant Funding

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2005 significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

b. Insurance Plan

As discussed in Note 10, the District is contingently liable for any unreported claim or assessment in excess of their balance in the insurance pool.

14. Commitment

The District has entered into two 28E agreements for high school education services. The first agreement is with Decorah Community School District for one-way whole grade sharing of grades 9-12 in the amount of 85% the District's regular program cost per pupil. The agreement expires June 30, 2007. The second agreement is with Mabel-Canton Independent School District for students in grades 9-12.

15. Net Asset /Fund Balance Deficit

The school nutrition enterprise fund has a net asset deficit as of June 30, 2005. The district plans to eliminate this deficit through sales income. The management levy-special revenue fund has a deficit fund balance as of June 30, 2005. The district plans to eliminate this deficit through property tax revenue.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
For the Year Ended June 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budget Amounts Original Final	Final to Actual Variance- Positive (Negative)
RECEIPTS					
Local sources	$ 1,674,860	$ 45,314	$ 1,720,174	$ 1,733,985	$ (13,811)
Intermediate sources	719	-	719	-	719
State sources	1,482,021	1,294	1,483,315	1,334,895	148,420
Federal sources	113,054	36,478	149,532	122,100	27,432
Total receipts	3,270,654	83,086	3,353,740	3,190,980	162,760
DISBURSEMENTS					
Instruction	2,233,661		2,233,661	2,142,748	(90,913)
Support services	685,740		685,740	710,729	24,989
Non-instructional	12,234	90,275	102,509	98,597	(3,912)
Other	339,157		339,157	260,833	(78,324)
Total disbursements	3,270,792	90,275	3,361,067	3,212,907	(148,160)
EXCESS OF RECEIPTS OVER DISBURSEMENTS	(138)	(7,189)	(7,327)	(21,927)	14,600
FUND BALANCE, beginning of year	922,054	11,207	933,261	858,841	74,420
FUND BALANCE, end of year	$ 921,916	$ 4,018	$ 925,934	$ 836,914	$ 89,020

See Notes to Required Supplementary Information.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION

For the Year Ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 3,270,654	$ 14,934	$ 3,285,588
Expenditures	3,270,792	15,364	3,286,156
Net	(138)	(430)	(568)
Beginning fund balance	922,054	(98,407)	823,647
Ending fund balances	$ 921,916	$ (98,837)	$ 823,079

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	$ 83,086	$ 7,170	$ 90,256
Expenses	90,275	13,406	103,681
Net	(7,189)	(6,236)	(13,425)
Beginning net assets	11,207	907	12,114
Ending net assets (deficit)	$ 4,018	$ (5,329)	$ (1,311)

See Notes to Required Supplementary Information.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2005

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. 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 functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs, and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not 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 ended June 30, 2005, disbursements in the instructional, non-instructional and other functional areas exceeded the amount budgeted.

HACKER, NELSON & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
and BUSINESS CONSULTANTS

123 WEST WATER STREET
P.O. BOX 507
DECORAH, IOWA 52101
TELEPHONE 563 382-3637
FAX 563 382-5797
E-MAIL@HACKERNELSON.COM

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

To the Board of Education
North Winneshiek Community School District
Decorah, Iowa

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. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is also not a required part of the basic financial statements of North Winneshiek Community School District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The basic financial statements of North Winneshiek Community School District for the year ended June 30, 2004 and general purpose financial statements for the years ended June 20, 2003 and 2002, none of which are presented herein, were audited by other auditors whose report dated October 15, 2004, expressed an unqualified opinion on those financial statements. Their report, as of the same date, on the information presented on page 30 stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2004 and the general purpose financial statements for the years ended June 30, 2003 and 2002, taken as a whole.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
August 19, 2005

SCHEDULE 1

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue Student Activity	Debt Service	Total Nonmajor Funds
ASSETS			
Cash and pooled investments	$ 10,308	$ 13,942	$ 24,250
Due from other funds		19,925	19,925
Total assets	$ 10,308	$ 33,867	$ 44,175
LIABILITIES AND FUND BALANCES			
Liabilities	$ None	$ None	$ None
Fund balances			
Reserved for			
Debt service		33,867	33,867
Unreserved	10,308		10,308
Total liabilities and fund balances	$ 10,308	$ 33,867	$ 44,175

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 2

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

	Special Revenue Student Activity	Debt Service	Total Nonmajor Funds
REVENUES			
Local sources			
Other	$ 49,004	$ 322	$ 49,326
EXPENDITURES			
Current			
Instruction			
Other instruction	54,975		54,975
Long-term debt			
Principal		77,747	77,747
Interest and fiscal charges		39,942	39,942
Total expenditures	54,975	117,689	172,664
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,971)	(117,367)	(123,338)
OTHER FINANCING SOURCES			
Transfers in	-	98,512	98,512
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND FINANCING USES	(5,971)	(18,855)	(24,826)
FUND BALANCE, beginning of year	16,279	52,722	69,001
FUND BALANCE, end of year	$ 10,308	$ 33,867	$ 44,175

See Independent Auditor's Report on the Supplementary Information.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
For the Year Ended June 30, 2005

	Balance June 30, 2004	Revenues	Expenditures	Balance June 30, 2005
Interest	$ 268	$ 68	$ 336	$ -
Investments	2,023		2,023	-
Summer Recreation	1,066	3,265	2,634	1,697
Staff Activity	2	343	60	285
Playground	5,275	26,089	31,363	1
Drama	338	-	338	-
Athletics	(310)	2,402	2,029	63
Elementary Recreation	542	1,227	1,086	683
Yearbook	(64)	1,314	1,029	221
Elementary Student Council	435	285	94	626
Middle Student Council	2,596	5,153	5,581	2,168
Clearing	517	3,232	3,749	-
Miscellaneous Student Activity	2,150	1,591	1,673	2,068
Box tops/Milk caps	1,441	1,444	901	1,984
Fifth grade	-	718	502	216
NWBL	-	1,873	1,577	296
	$ 16,279	$ 49,004	$ 54,975	$ 10,308

See Independent Auditor's Report on the Supplementary Information.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GOVERNMENTAL FUNDS
For the Years Ended June 30,

	Modified Accrual			
	2005	2004	2003	2002
REVENUES				
Local sources				
Local tax	$ 1,073,996	$ 1,339,652	$ 1,305,657	$ 1,245,576
Tuition	217,594	176,324	175,310	236,797
Other	384,591	105,559	93,069	147,546
Intermediate sources	719	-	-	-
State sources	1,485,245	1,301,288	1,398,967	1,527,505
Federal sources	123,443	122,077	130,025	154,758
Total revenues	$ 3,285,588	$ 3,044,900	$ 3,103,028	$ 3,312,182
EXPENDITURES				
Current				
Instruction				
Regular instruction	$ 1,671,552	$ 1,626,798	$ 1,592,302	$ 1,398,000
Special instruction	456,109	552,080	534,936	435,367
Other instruction	82,900	68,406	54,219	225,816
Support services				
Student services	47,476	46,381	39,818	54,357
Instructional staff services	47,342	33,155	35,829	33,271
Administration services	217,775	209,259	200,168	284,057
Operation and maintenance plant services	158,425	128,574	121,611	206,257
Transportation services	216,795	246,843	173,343	156,553
Non-instructional	18,804	6,783	13,503	13,520
Other				
Facilities acquisition	142,780	42,583	21,073	44
Long-term debt				
Principal	77,747	93,031	62,904	57,157
Interest and fiscal charges	39,942	41,518	47,850	47,960
AEA flowthrough	108,509	108,251	116,759	118,843
Total expenditures	$ 3,286,156	$ 3,203,662	$ 3,014,315	$ 3,031,202

See Independent Auditor's Report on the Supplementary Information.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

Grantor/Program Title	Federal CFDA Number	Grant Number	Expenditures
Indirect			
Department of Agriculture			
Passed Through Iowa Department of Education			
School Breakfast Program	10.553	FY05	$ 6,599
National School Lunch Program	10.555	FY05	29,837
Food Distribution Program (non-cash)	10.550	FY05	8,056
Total Department of Agriculture			44,492
Department of Education			
Passed Through Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	1638-G-05	89,069
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY05	2,165
State Grants for Innovative Programs	84.298	FY05	1,012
State Grants for Innovative Programs	84.298	FY05	1,086
Rural Education Achievement Program	84.358A	S358A044169	14,201
Improving Teacher Quality State Grants	84.367	FY05	15,910
Total Department of Education			123,443
			$ 167,935

See Independent Auditor's Report on the Supplementary Information.

HACKER, NELSON & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
and BUSINESS CONSULTANTS

123 WEST WATER STREET
P.O. BOX 507
DECORAH, IOWA 52101
TELEPHONE 563 382-3637
FAX 563 382-5797
E-MAIL @HACKERNELSON.COM

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education
North Winneshiek Community School District
Decorah, Iowa

We have audited the 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 as of and for the year ended June 30, 2005, which collectively comprise North Winneshiek Community School District's basic financial statements and have issued our report thereon dated August 19, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Overlapping Duties

The District's offices are not large enough to permit an adequate segregation of duties for effective internal controls. The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing grant expenditure reports, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records. While we do recognize that the District is not large enough to permit a segregation of duties for effective internal controls, we believe that it is important that the Board be aware that this condition does exist.

Response

Management is cognizant of this limitation.

Conclusion

Response acknowledged.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that we have reported to management of North Winneshiek Community School District in a separate letter dated August 19, 2005.

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain additional matters that we have reported to management of North Winneshiek Community School District in a separate letter dated August 19, 2005.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
August 19, 2005

HACKER, NELSON & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
and BUSINESS CONSULTANTS

123 WEST WATER STREET
P.O. BOX 507
DECORAH, IOWA 52101
TELEPHONE 563 382-3637
FAX 563 382-5797
E-MAIL @HACKERNELSON.COM

MANAGEMENT LETTER

To the Board of Education
North Winneshiek Community School District
Decorah, Iowa

In planning and performing our audit of the financial statements of the North Winneshiek Community School District for the year ended June 30, 2005, we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal controls.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the District's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 – 10 below are compliance comments required by the Iowa Auditor of State. A separate report dated August 19, 2005 contains our report on reportable conditions in the District's internal control. This letter does not affect our report dated August 19, 2005, on the financial statements of the North Winneshiek Community School District. Comment numbers 8 and 11 are repeat comments from the prior year. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions.

1. Official Depositories

A resolution naming official depository banks has been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005. However, the Board has not set a maximum deposit amount for the Viking State Bank and the balance was under $100,000 FDIC limit.

Recommendation

We recommend that the Board set a maximum deposit amount for all depositories the District uses.

Response

At the December 2005 Board meeting, the North Winneshiek School Board will set the maximum bank deposit amounts.

Conclusion

Response accepted.

2. Certified Budget

Disbursements for the year ended June 30, 2005, exceeded the amounts budgeted in the instructions, non-instructional and other functional areas.

Recommendation

The District needs to review the expenditures in all four functional areas for all funds before expenditures exceed the budget amounts to be in compliance with Chapter 24.9 of the Code of Iowa.

Response

The District will monitor fund expenditures and will amend the budget if the expenditures are exceeding the adopted budget amounts.

Conclusion

Response accepted.

3. Questionable Disbursements

We noted no disbursements that may not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

4. Travel Expense

No expenditures of District money for travel expenses of spouses of District officials and/or employees were noted. No travel advances to District officials or employees were noted.

5. Business Transactions

We noted no business transactions between the District and District officials and/or employees for the year ended June 30, 2005.

6. Bond Coverage

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

7. Board Minutes

We noted that the Board did not follow their policy for the purchase of Apple computers for $23,075.

Recommendation

We recommend that the Board approve all purchases that require Board approval prior to purchasing the items.

Response

The Board will pre-approve all purchases as stated in Board policy.

Conclusion

Response accepted.

8. Certified Enrollment

The number of basic resident students reported to the Iowa Department of Education for September 2004, was overstated by eight students.

Recommendation

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

Response

We will contact these departments.

Conclusion

Response accepted.

9. 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.

10. Certified Annual Report

The Certified Annual Report (CAR) was timely filed with the Department of Education and we noted no material deficiencies in the amounts reported effecting spending authority.

11. Property and Equipment Records

Property journal totals have not been reconciled to balance additions and deletions to the subsidiary ledger. We recommend that this procedure be implemented. In addition, to facilitate the proper insurance, maintenance and safeguarding of these assets, an inventory of all property and equipment should be taken at least once each year and checked against the capital assets records. The District also needs to calculate depreciation expense on the appropriate capital assets. The entries have been made to the financial statements.

Recommendation

We recommend that management update its property records and record the results in the governmental activities.

Response

Deb Jones is in charge of maintaining the District's inventoried items. Annually, she will update the inventoried items throughout the District. She is excited at the challenge of this opportunity.

Conclusion

Response accepted.

12. Disbursements

During our audit, we noticed various items that were not in compliance with District procedures. There was one employee that didn't have a signed contract in their personnel file. We noted two invoices that were paid without approval, two invoices were not cancelled, and one invoice did not contain an account number to show where it was recorded. There were no supporting documents for two activity fund disbursements and there were four invoices that were not cancelled. The purchase orders for the school nutrition enterprise fund are not pre-numbered and multiple purchases were approved under the same purchase order number.

Recommendation

We recommend that all invoices have supporting documents and be properly cancelled to avoid double payment. We also recommend that the purchase orders be pre-numbered and that purchase orders not to be used more than once.

Response

The North Winneshiek School District will make sure that all invoices will have supporting documents and that all purchase orders will be pre-numbered for better accounting accuracy.

Conclusion

Response accepted.

We would like to acknowledge the many courtesies and assistance extended to us by the 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.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
August 19, 2005