SOUTH WINNESHIEK
COMMUNITY SCHOOL DISTRICT
CALMAR, 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		2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)		4
BASIC FINANCIAL STATEMENTS	Exhibit	
District-Wide Financial Statements		
Statement of Net Assets	A	5
Statement of Activities	B	6
Governmental Fund Financial Statements		
Balance Sheet	C	7-8
Statement of Revenues, Expenditures, and Changes in Fund Balances	D	9-10
Proprietary Fund Financial Statements		
Statement of Net Assets	E	11
Statement of Revenues, Expenses, and Changes in Net Assets	F	12
Statement of Cash Flows	G	13
Notes to Financial Statements		14-26
Required Supplementary Information		
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balance-Budget and Actual (Cash Basis)- All Governmental Funds and Proprietary Fund		27
Budget to GAAP Reconciliation		28
Notes to Required Supplementary Information-Budgetary Reporting		29
INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION		30
OTHER SUPPLEMENTARY INFORMATION	Schedule	
Nonmajor Governmental Funds		
Combining Balance Sheet	1	31
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	32
Nonmajor Special Revenue Funds		
Combining Balance Sheet	3	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	34
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	35-36
Comparative Schedule of Revenues and Expenditures	6	37
Schedule of Expenditures of Federal Awards	7	38
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*		39-40
MANAGEMENT LETTER		41-44

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION AND SCHOOL OFFICIALS

Name	Title	Address	Term Expires
	Board of Education (Before September 2004 Election)		
Roger Koenig	President	Castalia, Iowa	September 2004
Marty Tieskoetter	Member	Ossian, Iowa	September 2004
John Berger	Member	Calmar, Iowa	September 2005
Pat Tekippe	Member	Fort Atkinson, Iowa	September 2006
Alan Schmitt	Member	Ossian, Iowa	September 2005
	Board of Education (After September 2004 Election)		
Roger Koenig	President	Castalia, Iowa	September 2007
Marty Tieskoetter	Member	Ossian, Iowa	September 2007
John Berger	Member	Calmar, Iowa	September 2005
Pat Tekippe	Member	Fort Atkinson, Iowa	September 2006
Alan Schmitt	Member	Ossian, Iowa	September 2005

School Officials

Richard Wede – Superintendent

Kay Donlan – 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
South Winneshiek Community School District
Calmar, 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 South 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 South Winneshiek Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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.

We were unable to audit the capital assets and depreciation expense because management has not calculated depreciation on capital assets or gathered the appropriate information needed for determining historical costs of capital assets. U.S. generally accepted accounting principles require that capital assets be recorded at historical cost and depreciated, which would affect the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

Because we were unable to audit the capital assets and depreciation expense, and we were unable to apply other auditing procedures regarding the valuation of capital assets as discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the governmental activities.

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 South 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 25, 2005, on our consideration of South 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 4 and pages 27 through 29, 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 25, 2005

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
CALMAR, IOWA

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

Management of South Winneshiek Community School District provides this Management's Discussion and Analysis of South 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. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

FINANCIAL HIGHLIGHTS

In total, net assets increased by $836,040. Net assets of governmental activities increased by $834,041, which represented 15.29% increase from fiscal year 2004. Property taxes decreased approximately $32,811 and local option sales tax increased approximately by $84,473. District program expenses were 3.3% or approximately $180,637 more in 2005 than in 2004.

General fund revenues accounted for $5,201,729 in revenue or 81.1% of all revenues. General fund expenditures accounted for $5,219,980 in expenditures or 81.0% 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 South 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 South 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 South 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 South Winneshiek Community School District, the general fund, physical plant and equipment levy-special revenue fund and capital projects fund are the more significant funds.

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

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

Other supplementary information provides detailed information about the nonmajor 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 presents 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, 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. The fund's 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 South Winneshiek Community School District's net assets at the end of fiscal year 2005 totaled $6,301,766.

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	$ 4,540	$ 4,465	$ 9	$ 20	$ 4,549	$ 4,485	-1.41%
Capital assets	5,279	5,865	36	30	5,315	5,895	10.91%
Total assets	9,819	10,330	45	50	9,864	10,380	5.23%
Long-term debt outstanding	1,037	834	-	-	1,037	834	-19.58%
Other liabilities	3,345	3,225	16	19	3,361	3,244	-3.48%
Total liabilities	4,382	4,059	16	19	4,398	4,078	-7.28%
Net assets							
Invested in capital assets, net of related debt	4,094	4,855	36	30	4,130	4,885	18.28%
Restricted	30	13	-	-	30	13	-56.67%
Unrestricted	1,313	1,403	(7)	1	1,306	1,404	7.50%
Total net assets	$ 5,437	$ 6,271	$ 29	$ 31	$ 5,466	$ 6,302	15.29%

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	$ 354	$ 352	$ 136	$ 166	$ 490	$ 518	5.71%
Operating grants	809	772	102	94	911	866	-4.94%
General revenue							
Property taxes	2,198	2,165	-	-	2,198	2,165	-1.50%
Sales tax and surtax	540	625	-	-	540	625	15.74%
Unrestricted state grants	2,304	2,467	-	-	2,304	2,467	7.07%
Unrestricted investment earnings	10	30	-	-	10	30	200.00%
Gain (loss) on the sale of capital assets	1	2	-	-	1	2	100.00%
Other revenue	4	2	-	-	4	2	-50.00%
Total revenues	6,220	6,415	238	260	6,458	6,675	3.36%
Program expenses:							
Instruction	3,787	3,779	-	-	3,787	3,779	-0.21%
Student support	1,225	1,367	-	-	1,225	1,367	11.59%
Non-instructional programs	5	4	-	-	5	4	-20.00%
Other expenses	383	431	250	258	633	689	8.85%
Total expenses	5,400	5,581	250	258	5,650	5,839	3.35%
Increase in net assets	820	834	(12)	2	808	836	3.47%
Net assets Beginning of Year	4,617	5,437	41	29	4,658	5,466	17.35%
Net assets End of Year	$ 5,437	$ 6,271	$ 29	$ 31	$ 5,466	$ 6,302	15.29%

INDIVIDUAL FUND ANALYSIS

As the District completed the year, its governmental funds reported a combined fund balance of $1,456,163, a $32,513 decrease of the 2004 fiscal year end balance of $1,488,676.

- The general fund received less revenue during fiscal year 2005 through property taxes. The general fund expenditures increased moderately over all areas. The ending fund balance showed a modest decrease from the prior year of $395,939 to $380,198.

- The physical plant and equipment levy (PPEL) fund balance decreased $51,114 during fiscal year 2005. While revenues increased from prior year, the District also increased spending from the PPEL Fund.

- The capital projects fund balance decreased due to capital projects that took place during the 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 amendment made during the 2005 fiscal year should have no impact on the 2006 fiscal year's budget.

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	Budget Amounts Final	Variance
Receipts				
Local sources	$ 3,391	$ 3,252	$ 3,252	$ 139
Intermediate sources	-	5	5	(5)
State sources	3,014	3,041	3,041	(27)
Federal sources	289	160	160	129
Total receipts	$ 6,694	$ 6,458	$ 6,458	$ 236
Disbursements				
Instruction	$ 4,004	$ 3,708	$ 3,950	$ (54)
Student support	1,213	1,613	1,700	487
Non-instructional programs	247	267	300	53
Other expenses	1,053	1,052	1,600	547
Total disbursements	$ 6,517	$ 6,640	$ 7,550	$ 1,033

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2005, South Winneshiek Community School District had $5,865,457 invested in a broad range of capital assets, including buildings, land and equipment for the governmental activities. For the enterprise funds, the District had $29,752 invested in equipment in the school nutrition fund. The District is still in process of recording all capital assets.

The District is still working on setting up the policy to calculate depreciation expense for the governmental activities. The District had depreciation expense of $6,182 for fiscal year 2005 and total accumulated depreciation of $77,606 as of June 30, 2005 for the business-type activities. 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 $1,051,142 in bonds and other debt compared to approximately $1,330,740 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 $8,221,287 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:

- Revenue projection from the Department of Revenue and Finance projects that revenue from the local option sales tax shall continue to increase due to increased sales at the Super Wal-Mart in Decorah, Iowa.
- The District has experienced a slight increase in enrollment which brought an increase in the allowable growth.
- The District is planning some major capital projects throughout the District. These projects are going to be paid with the local option sales tax that the District is reporting in the capital projects fund and money received in the physical plant and equipment levy fund.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of South 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, South Winneshiek Community School District, 304 S Webster St, Calmar, IA 52132.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments			
Other	$ 2,106,088	$ 16,630	$ 2,122,718
Receivables			
Property tax			
Delinquent	31,916		31,916
Succeeding year	2,169,176		2,169,176
Accounts	639		639
Due from other governments	157,261		157,261
Inventories		3,770	3,770
Capital assets, non-depreciable	403,822		403,822
Capital assets, net of accumulated depreciation	5,461,635	29,752	5,491,387
Total assets	$ 10,330,537	$ 50,152	$ 10,380,689
LIABILITIES			
Accounts payable	$ 310,916		$ 310,916
Salaries and benefits payable	422,067	$ 6,652	428,719
Payroll deductions and withholdings	114,621		114,621
Accrued interest payable	4,349		4,349
Interfund payable (receivable)	(13,000)	13,000	-
Deferred revenue			
Succeeding year property tax	2,169,176		2,169,176
Long-term liabilities			
Portion due within one year			
Bonds payable	185,000		185,000
Early retirement	31,946		31,946
Portion due after one year			
Bonds payable	825,000		825,000
Early retirement	9,196		9,196
Total liabilities	4,059,271	19,652	4,078,923
NET ASSETS			
Invested in capital assets, net of related debt	4,855,457	29,752	4,885,209
Restricted for			
Debt service	12,522		12,522
Unrestricted	1,403,287	748	1,404,035
Total net assets	6,271,266	30,500	6,301,766
Total liabilities and net assets	$ 10,330,537	$ 50,152	$ 10,380,689

See Notes to Financial Statements.

EXHIBIT B

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
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	$ 2,436,929	$ 104,460	$ 177,820	$ (2,154,649)		$ (2,154,649)
Special instruction	914,227	23,976	150,508	(739,743)		(739,743)
Other instruction	427,167	8,597	71,569	(347,001)		(347,001)
	3,778,323	137,033	399,897	(3,241,393)		(3,241,393)
Support services						
Student services	193,362	185,906		(7,456)		(7,456)
Instructional staff services	128,768			(128,768)		(128,768)
Administration services	478,798			(478,798)		(478,798)
Operation and maintenance plant services	333,633			(333,633)		(333,633)
Transportation services	232,690	3,486	86,252	(142,952)		(142,952)
	1,367,251	189,392	86,252	(1,091,607)		(1,091,607)
Non-instructional	4,179	10,771		6,592		6,592
Other						
Long-term debt interest	58,725			(58,725)		(58,725)
Facilities acquisition	144,597	14,954	57,658	(71,985)		(71,985)
AEA flowthrough	227,868		227,868			-
Depreciation (unallocated)						-
	431,190	14,954	285,526	(130,710)		(130,710)
Total governmental activities	5,580,943	352,159	771,675	(4,457,118)		(4,457,118)
Business-type activities						
Non-instructional programs						
Nutrition services	257,600	165,511	93,966		$ 1,877	1,877
Total	$ 5,838,543	$ 517,661	$ 865,641	(4,457,118)	1,877	(4,455,241)
General revenues						
Property taxes levied for						
General purposes				1,727,554		1,727,554
Management				249,785		249,785
PPEL				107,798		107,798
Debt service				80,018		80,018
Local option sales tax and surtax				624,848		624,848
Unrestricted state grants				2,467,370		2,467,370
Unrestricted investment earnings				29,597	122	29,719
Gain on the sale of capital assets				2,510	-	2,510
Other				1,679		1,679
Total general revenues				5,291,159	122	5,291,281
Change in net assets				834,041	1,999	836,040
Net assets, beginning of year				5,437,225	28,501	5,465,726
Net assets end of year				$ 6,271,266	$ 30,500	$ 6,301,766

See Notes to Financial Statements.

EXHIBIT C

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General	Physical Plant and Equipment Levy	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and pooled investments					
Other	$ 926,486	$ 311,861	$ 507,637	$ 360,104	$ 2,106,088
Receivables					
Property tax					
Delinquent	25,538	1,541	-	4,837	31,916
Succeeding year	1,798,367	106,662		264,147	2,169,176
Accounts	639				639
Due from other funds	13,000	-			13,000
Due from other governments	79,455		77,806		157,261
Total assets	$ 2,843,485	$ 420,064	$ 585,443	$ 629,088	$ 4,478,080
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 128,232	$ -	$ 182,684	$ -	$ 310,916
Salaries and benefits payable	422,067				422,067
Payroll deductions and withholdings	114,621				114,621
Interest payable				137	137
Deferred revenue					
Succeeding year property tax	1,798,367	106,662		264,147	2,169,176
Bonds payable				5,000	5,000
Total liabilities	2,463,287	106,662	182,684	269,284	3,021,917
Fund balances					
Reserved for					
Debt service				11,734	11,734
Unreserved, reported in					
General fund	380,198				380,198
Special revenue funds		313,402	402,759	348,070	1,064,231
Total fund balances	380,198	313,402	402,759	359,804	1,456,163
Total liabilities and fund balances	$ 2,843,485	$ 420,064	$ 585,443	$ 629,088	$ 4,478,080

See Notes to Financial Statements.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET ASSETS		
Total governmental fund balances	$	1,456,163
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 $ None		5,865,457
Other 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		(1,005,000)
Accrued interest		(4,212)
Early retirement		(41,142)
Net assets of governmental activities per Exhibit A	$	6,271,266

See Notes to Financial Statements.

EXHIBIT D

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2005

	General	Physical Plant and Equipment Levy	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local sources					
Local property tax	$ 1,727,554	$ 107,798		$ 329,803	$ 2,165,155
Tuition	86,313				86,313
Other	162,600	76,796	$ 506,059	190,155	935,610
State sources	3,018,053	77		57	3,018,187
Federal sources	207,209				207,209
Total revenues	5,201,729	184,671	506,059	520,015	6,412,474
EXPENDITURES					
Current					
Instruction					
Regular instruction	2,232,244			148,535	2,380,779
Special instruction	925,177				925,177
Other instruction	427,167			197,082	624,249
	3,584,588			345,617	3,930,205
Support services					
Student services	189,883			3,479	193,362
Instructional staff services	127,373			1,395	128,768
Administration services	472,526			6,272	478,798
Operation and maintenance plant services	329,454			4,179	333,633
Transportation services	288,288			7,667	295,955
	1,407,524			22,992	1,430,516
Non-instructional				4,179	4,179
Other					
Long-term debt					
Principal				175,400	175,400
Interest and fiscal charges				59,032	59,032
Facilities acquisition		130,765	489,532		620,297
AEA flowthrough	227,868				227,868
	227,868	130,765	489,532	234,432	1,082,597
Total expenditures	5,219,980	130,765	489,532	607,220	6,447,497
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(18,251)	53,906	16,527	(87,205)	(35,023)
OTHER FINANCING SOURCES (USES)					
Transfers in			105,020	150,000	255,020
Transfers (out)		(105,020)	(150,000)		(255,020)
Gain on sale of capital assets	2,510				2,510
	2,510	(105,020)	(44,980)	150,000	2,510
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES	(15,741)	(51,114)	(28,453)	62,795	(32,513)
FUND BALANCE, beginning of year	395,939	364,516	431,212	297,009	1,488,676
FUND BALANCE, end of year	$ 380,198	$ 313,402	$ 402,759	$ 359,804	$ 1,456,163

See Notes to Financial Statements.

SOUTH 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		$ (32,513)
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 capital outlays exceeds depreciation in the period.		
Depreciation	$ -	
Capital outlays	586,249	586,249
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.		175,000
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.		707
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		104,598
Change in net assets of governmental activities per Exhibit B		$ 834,041

See Notes to Financial Statements.

EXHIBIT E

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2005

	School Nutrition Fund
ASSETS	
CURRENT ASSETS	
Cash	$ 16,630
Inventories	3,770
Total current assets	20,400
NONCURRENT ASSETS	
Furniture and equipment	107,358
Less accumulated depreciation	(77,606)
Total noncurrent assets	29,752
Total assets	$ 50,152
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Due to other funds	$ 13,000
Salaries and benefits payable	6,652
Total liabilities	19,652
NET ASSETS	
Invested in capital assets, net of related debt	29,752
Unrestricted	748
Total net assets	30,500
Total liabilities and net assets	$ 50,152

See Notes to Financial Statements.

EXHIBIT F

SOUTH 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	$ 165,511
OPERATING EXPENSES	
Non-instructional programs	
Food service operations	
Salaries and benefits	143,687
Purchased services	100,879
Supplies	6,852
Depreciation	6,182
Total operating expenses	257,600
Operating loss	(92,089)
NONOPERATING REVENUES	
Interest on investments	122
State sources	3,621
Federal sources	90,345
Total nonoperating revenues	94,088
Change in net assets	1,999
Net assets, beginning of year	28,501
Net assets, end of year	$ 30,500

See Notes to Financial Statements.

EXHIBIT G

SOUTH 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	$ 165,511
Cash payments to employees for services	(143,578)
Cash payments to suppliers for goods and services	(102,322)
Net cash used in operating activities	(80,389)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from short-term borrowing from other funds	3,000
Payment on short-term borrowing from other funds	(10,000)
State and federal grants received	93,966
Net cash provided by noncapital financing activities	86,966
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	122
Net increase in cash	6,699
CASH, beginning of year	9,931
CASH, end of year	$ 16,630
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (92,089)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	6,182
Decrease in inventories	5,409
Increase in salaries and benefits payable	109
Net cash used in operating activities	$ (80,389)

Non-cash, noncapital financing activities:
During the year ended June 30, 2005, the District received commodities valued at $12,933.

See Notes to Financial Statements.

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

The South 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, including special education and pre-kindergarten. The geographic area served includes the Cities of Calmar, Ossian, and Spillville, Iowa, and the predominately agricultural territory in the area. 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, South Winneshiek Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District; 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.

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.

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

b. Significant Accounting Policies (Continued)

District-wide Financial Statements (Continued)

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, physical, plant and equipment levy-special revenue fund, 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.

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.

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.

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

b. Significant Accounting Policies (Continued)

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.

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.

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

b. Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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 the 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 modified cash basis (also referred to as cash basis or cash transactions). The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Equity

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

Cash and Investments

The District maintains one primary demand deposit account for each fund through which the cash resources are processed. All investment activity is carried on by the District in each individual fund. Investments are stated at fair value, except for non-negotiable certificates of deposits, which are stated at cost.

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.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Equity (Continued)

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 $2,500 for governmental funds and $500 for the school nutrition-proprietary fund. Management has not accumulated the information necessary to verify the historical cost of capital assets or determined the method or the estimated useful lives that the capital assets will be depreciated.

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, but 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.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Equity (Continued)

Compensated Absences

District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. In addition, employees are allowed to take early retirement if they meet certain qualifications set by the Board of Education. In accordance with Interpretation No. 6 of the GASB–Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, a liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities has been paid primarily by the general fund.

Encumbrances

The District does not utilize the encumbrance system but uses purchase orders to keep record of obligations. The District has not summarized its outstanding purchase orders and, accordingly, that portion of the fund balance representing outstanding encumbrances has not been restricted.

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 acquisition, construction, or improvement of those assets.

Restricted net assets consists of net assets with constraints placed on their 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.

Budgets and Budgetary Accounting

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

2. Deposits and 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.

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

	Amortized Cost
Diversified portfolio	$ 484,788

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	
Non-public transportation	$ 49,427
Title I	24,504
Other	5,524
	79,455
Capital projects	
Local option sales tax	77,806
	$ 157,261

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	$ 66,462	$ 24,500		$ 90,962
Construction in progress	None	312,860		312,860
	$ 66,462	$ 337,360		$ 403,822
Capital assets being depreciated				
Land improvements	$ 85,115	$ 27,089		$ 112,204
Buildings	3,818,816	147,737		3,966,553
Furniture and equipment	1,308,815	74,063		1,382,878
Governmental activities				
Capital assets	$ 5,212,746	$ 248,889	$ None	$ 5,461,635
Business-type activities				
Furniture and equipment	$ 107,358			$ 107,358
Less accumulated depreciation	71,424	$ 6,182		77,606
Business-type activities				
Capital assets, net	$ 35,934	$ (6,182)	$ None	$ 29,752

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

Business-type activities	
Food services	$ 6,182

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	$ 1,185,000		$ 175,000	$ 1,010,000	$ 185,000
Other liabilities					
Early retirement	145,740		104,598	41,142	31,946
Governmental activities					
Long-term liabilities	$ 1,330,740	$ None	$ 279,598	$ 1,051,142	$ 216,946

5. Long-term Debt Obligations (Continued)

a. Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must meet the rule of 88 (the sum of the person's age and the total number of years of public school employment must equal at least 88 years). Employees must send a letter requesting early retirement to the Superintendent, who takes it to the Board of Education. The early retirement incentive for each eligible employee is 80% of the employee's base salary. The District is obligated to pay $100 per month of health insurance for three years. In addition, the District pays $30 per day of accumulated sick leave towards health insurance. The maximum number of days of sick leave that can be accumulated is 120. Early retirement benefits paid during the year ended June 30, 2005 totaled $104,598.

b. Bonded Indebtedness

$5,000 1959 General Obligation Serial Bonds, due November 1, 1966. The bonds and interest are included in the debt service fund liabilities since the bonds have matured.

$1,005,000 1997A General Obligation Crossover Refunding Serial Bonds, due annually in varying installments June 1, 2006 through June 1, 2010 plus interest annually with interest rates of the bonds varying from 4.85% to 5.2%. Bonds maturing after June 1, 2007 are callable June 1, 2008 or at any interest payment date thereafter at par.

Interest costs incurred and charged to expenses was $58,325 for the year ended June 30, 2005.

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

Year ending June 30,	Principal	Interest
2006	$ 185,000	$ 50,544
2007	190,000	41,814
2008	200,000	32,410
2009	210,000	22,410
2010	225,000	11,700
	$ 1,010,000	$ 158,878

5. Long-term Debt Obligations (Continued)

b. Bonded Indebtedness (Continued)

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

Total assessed valuation	$ 164,425,740
Debt limit – 5% of total assessed valuation	$ 8,221,287
Debt applicable to debt limit	
General obligation bonded debt outstanding	(1,010,000)
Legal debt margin	$ 7,211,287

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	$ 13,000	
Enterprise funds		
School nutrition	0	$ 13,000
	$ 13,000	$ 13,000

The school nutrition fund is repaying the general fund for funds received throughout the year. The balance will be repaid by June 30, 2006.

7. Interfund Transfers

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

	Transfers In	Transfers Out
Physical plant and equipment		$ 105,020
Capital projects fund	$ 105,020	150,000
Nonmajor governmental	150,000	0
	$ 255,020	$ 255,020

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. The transfer between property plant and equipment and capital projects is to correct prior year entries.

8. Leases

The District has entered into one operating lease for a copy machine. The lease is for five years with $200 monthly payments. The lease expires January 2006.

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

Year ended June 30, 2006	$ 1,400

Total lease expense for the year ended June 30, 2005 was $2,400.

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 $180,969, $172,980, and $174,501, respectively, equal to the required contributions for each year.

10. Cafeteria Plan

The District sponsors a Section 125 cafeteria plan as a part of its contractual obligation with its employees. The benefits available under the plan are health insurance and annuities. Each participating employee must carry single health coverage and the balance of the contractual allotment is allocated to annuity payments. Additionally, participants may elect salary reduction to cover family health insurance, non-covered medical and dental expenses and day care. There were 66 participants in the plan for the plan year ended December 31, 2004.

11. Risk Management

South 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.

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 $227,868 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

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.

The District is a plaintiff in an action disputing the assessments made by the School District's former self-funded insurance program, ISEBA. At this point, the attorney representing the District does not believe that the litigation should effect the School District's financial position as of June 30, 2005.

14. Commitments

The District has entered into contracts totaling $32,649 for minor repairs to various school facilities. Of these commitments, $None will be funded by state and federal grants.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

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	Budget Amounts Final	Final to Actual Variance- Positive (Negative)
RECEIPTS						
Local sources	$ 3,225,619	$ 164,897	$ 3,390,516	$ 3,251,523	$ 3,251,523	$ 138,993
Intermediate sources	-		-	5,500	5,500	(5,500)
State sources	3,010,590	3,738	3,014,328	3,041,255	3,041,255	(26,927)
Federal sources	207,853	81,032	288,885	159,500	159,500	129,385
Total receipts	6,444,062	249,667	6,693,729	6,457,778	6,457,778	235,951
DISBURSEMENTS						
Instruction	4,004,475		4,004,475	3,708,000	3,950,000	(54,475)
Support services	1,212,653		1,212,653	1,613,000	1,700,000	487,347
Non-instructional	4,179	242,968	247,147	266,500	300,000	52,853
Other	1,052,580		1,052,580	1,052,140	1,600,000	547,420
Total disbursements	6,273,887	242,968	6,516,855	6,639,640	7,550,000	1,033,145
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	170,175	6,699	176,874	(181,862)	(1,092,222)	1,269,096
OTHER FINANCING SOURCES, NET	2,510		2,510		-	2,510
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND FINANCING USES	172,685	6,699	179,384	(181,862)	(1,092,222)	1,271,606
FUND BALANCE, beginning of year	1,933,403	9,931	1,943,334	559,746	559,746	1,383,588
FUND BALANCE, end of year	$ 2,106,088	$ 16,630	$ 2,122,718	$ 377,884	$ (532,476)	$ 2,655,194

See Notes to Required Supplementary Information.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
For the Year Ended June 30, 2005

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
REVENUES	$ 6,444,062	$ (31,588)	$ 6,412,474
EXPENDITURES	6,273,887	173,610	6,447,497
OTHER FINANCING SOURCES, NET	2,510	-	2,510
Net	172,685	(205,198)	(32,513)
FUND BALANCE, beginning of year	1,933,403	(444,727)	1,488,676
FUND BALANCE, end of year	$ 2,106,088	$ (649,925)	$ 1,456,163

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
REVENUES	$ 249,667	$ 9,932	$ 259,599
EXPENSES	242,968	14,632	257,600
Net	6,699	(4,700)	1,999
NET ASSETS, beginning of year	9,931	18,570	28,501
NET ASSETS, end of year	$ 16,630	$ 13,870	$ 30,500

See Notes to Required Supplementary Information.

SOUTH 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 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 $910,360.

During the year ended June 30, 2005, disbursements in the instruction service function 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
South Winneshiek Community School District
Calmar, Iowa

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South 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 South 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.

We have previously audited, in accordance with U.S. generally accepted auditing standards, the basic financial statements of South Winneshiek Community School District as of and for the year ending June 30, 2004, (none of which is presented herein). We did not express an opinion on the governmental activities because we were unable to audit the historical cost of capital assets and depreciation expense for the year ending June 30, 2004. We expressed unqualified opinions on the business-type activities, each major fund, and the aggregate remaining fund information for the year ending June 30, 2004. We have previously audited, in accordance with U.S. generally accepted auditing standards, the general purpose financial statements of South Winneshiek Community School District as of and for the years ending June 30, 2003 and 2002, (none of which is presented herein). We expressed qualified opinions on the 2003 and 2002 general purpose financial statements due to the omission of the general fixed asset account group. In our opinion, the information set forth in the required supplementary information for each of the four years in the period ended June 30, 2005, appearing on page 37, is fairly stated, in all material respects in relation to the basic and general purpose financial statements from which it has been derived.

Hacker, Nelson + Co., P.C.

Decorah, Iowa
August 25, 2005

SCHEDULE 1

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
ASSETS			
Cash and pooled investments	$ 344,377	$ 15,727	$ 360,104
Receivables			
Property tax			
Delinquent	3,693	1,144	4,837
Succeeding year	185,195	78,952	264,147
Total assets	$ 533,265	$ 95,823	$ 629,088
LIABILITIES AND FUND BALANCES			
Liabilities			
Interest payable		$ 137	$ 137
Deferred revenue			
Succeeding year property tax	$ 185,195	78,952	264,147
Bonds payable		5,000	5,000
Total liabilities	185,195	84,089	269,284
Fund balances			
Reserved for			
Debt service		11,734	11,734
Unreserved	348,070		348,070
Total fund balances	348,070	11,734	359,804
Total liabilities and fund balances	$ 533,265	$ 95,823	$ 629,088

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 2

SOUTH 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	Debt Service	Total Nonmajor Governmental Funds
REVENUES			
Local sources			
Local property tax	$ 249,785	$ 80,018	$ 329,803
Other	189,966	189	190,155
State sources		57	57
Total revenues	439,751	80,264	520,015
EXPENDITURES			
Current			
Instruction			
Regular instruction	148,535		148,535
Other instruction	197,082		197,082
Support services			
Student services	3,479		3,479
Instructional staff services	1,395		1,395
Administration services	6,272		6,272
Operation and maintenance plant services	4,179		4,179
Transportation services	7,667		7,667
Non-instructional	4,179		4,179
Other			
Long-term debt			
Principal		175,400	175,400
Interest and fiscal charges		59,032	59,032
Total expenditures	372,788	234,432	607,220
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	66,963	(154,168)	(87,205)
OTHER FINANCING SOURCES			
Transfers in		150,000	150,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	66,963	(4,168)	62,795
FUND BALANCE, beginning of year	281,107	15,902	297,009
FUND BALANCE, end of year	$ 348,070	$ 11,734	$ 359,804

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 3

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2005

	Management Levy	Student Activity	Total Nonmajor Special Revenue Funds
ASSETS			
Cash and pooled investments	$ 301,145	$ 43,232	$ 344,377
Receivables			
Property tax			
Delinquent	3,693		3,693
Succeeding year	185,195		185,195
Total assets	$ 490,033	$ 43,232	$ 533,265
LIABILITIES AND FUND BALANCES			
Liabilities			
Deferred revenue			
Succeeding year property tax	$ 185,195	$ -	$ 185,195
Total liabilities	185,195	-	185,195
Fund balances			
Unreserved	304,838	43,232	348,070
Total liabilities and fund balances	$ 490,033	$ 43,232	$ 533,265

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 4

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

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

	Management Levy	Student Activity	Total Nonmajor Special Revenue Funds
REVENUES			
Local sources			
Local property tax	$ 249,785		$ 249,785
Other	4,060	$ 185,906	189,966
Total revenues	253,845	185,906	439,751
EXPENDITURES			
Current			
Instruction			
Regular instruction	148,535		148,535
Other instruction		197,082	197,082
Support services			
Student services	3,479		3,479
Instructional staff services	1,395		1,395
Administration services	6,272		6,272
Operation and maintenance plant services	4,179		4,179
Transportation services	7,667		7,667
Non-instructional	4,179		4,179
Total expenditures	175,706	197,082	372,788
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	78,139	(11,176)	66,963
FUND BALANCE, beginning of year	226,699	54,408	281,107
FUND BALANCE, end of year	$ 304,838	$ 43,232	$ 348,070

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 5

SOUTH 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 and Transfer In	Expenditures	Balance June 30, 2005
Spanish Club	$ 112	$ -	$ -	$ 112
May Term	1,409	30,801	30,821	1,389
German Club	282	-	-	282
Music, EI/MS	97	390	268	219
Music, Sr. High	(3,893)	-	1,916	(5,809)
Other Fine Arts	-	194	1,227	(1,033)
National Honor Society	69	247	343	(27)
All Athletic	(10,374)	-	5,272	(15,646)
All Athletic II	20,935	500	-	21,435
Football	7,758	9,047	5,501	11,304
Cross Country	(1,342)	1,920	2,379	(1,801)
Volleyball	5,172	4,043	4,218	4,997
Boys' Basketball	4,268	4,162	3,506	4,924
Girls' Basketball	2,817	4,656	4,582	2,891
Wrestling	3,737	9,542	10,111	3,168
Boys' Track	(3,681)	2,818	4,982	(5,845)
Girls' Track	(8,452)	3,618	6,445	(11,279)
Boys' Golf	(258)	10	345	(593)
Girls' Golf	(766)	246	864	(1,384)
Baseball	(7,825)	1,275	7,579	(14,129)
Softball	(9,236)	2,620	8,060	(14,676)
Cheerleaders, Sr. High	211	525	1,378	(642)
All Fine Arts	640	1,050	379	1,311
Art Sr. High	376	339	172	543
Student Council, MS	2,535	829	245	3,119
Student Council, Sr. High	1,034	2,001	1,110	1,925
Yearbook	232	7,935	6,843	1,324
Band, Sr. High	(1,658)	2,222	2,407	(1,843)
Flag Corp.	-	606	227	379
Choir, Sr. High	(4,167)	-	165	(4,332)
Drama/Musical	5,003	5,413	4,363	6,053
Speech Activity and Debate	(8,944)	-	228	(9,172)
Drama Club	2,515	-	536	1,979
Activity Fee	10,560	5,379	-	15,939
Interest	2,212	532	1,083	1,661
Playground	6,817	1,838	-	8,655
Sub-totals	18,195	104,758	117,555	5,398

See Independent Auditor's Report on the Supplementary Information.

SOUTH 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 and Transfer In	Expenditures	Balance June 30, 2005
Sub-totals	$ 18,195	$ 104,758	$ 117,555	$ 5,398
Athletic Fee	3,735	-	-	3,735
National Honor Society - Certificate of Deposit	4,036	71	-	4,107
Elementary	6,743	12,714	8,538	10,919
Classroom Computers, Elem.	644	-	-	644
ECSP	(225)	-	-	(225)
Class of 2006	1,284	5,847	7,199	(68)
Class of 2007	(46)	4,557	2,748	1,763
Class of 2002	1	-	34	(33)
Class of 2003	356	-	-	356
Class of 2004	(13)	34	-	21
Class of 2005	781	457	1,342	(104)
Pictures, Sr. High	474	303	-	777
Resale	77	3,989	3,493	573
M.S. Activity	4,797	10,880	14,239	1,438
FFA	10,149	38,785	38,980	9,954
Industrial Arts	2,060	2,980	2,954	2,086
AAC Cub	1,360	531	-	1,891
	$ 54,408	$ 185,906	$ 197,082	$ 43,232

See Independent Auditor's Report on the Supplementary Information.

SOUTH 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	$ 2,663,781	$ 2,624,957	$ 2,551,566	$ 2,426,550
Tuition	86,313	72,205	78,294	65,279
Other	436,984	415,363	479,521	405,283
Intermediate sources	-	635	479	-
State sources	3,018,187	2,895,426	2,857,239	3,046,438
Federal sources	207,209	211,816	245,345	211,067
Total revenues	$ 6,412,474	$ 6,220,402	$ 6,212,444	$ 6,154,617
EXPENDITURES				
Current				
Instruction				
Regular instruction	$ 2,380,779	$ 2,387,045	$ 2,364,247	$ 2,208,737
Special instruction	925,177	986,675	939,739	946,891
Other instruction	624,249	563,172	496,111	511,122
Support services				
Student services	193,362	185,279	175,818	156,603
Instructional staff services	128,768	56,296	72,804	87,847
Administration services	478,798	453,030	470,238	471,726
Operation and maintenance plant services	333,633	321,882	309,575	320,701
Transportation services	295,955	259,046	349,731	269,225
Non-instructional	4,179	5,360	2,494	2,367
Other				
Long-term debt				
Principal	175,400	165,000	155,000	150,000
Interest and fiscal charges	59,032	67,332	74,856	82,128
Facilities acquisition	620,297	240,365	407,827	152,253
AEA flowthrough	227,868	230,029	246,688	247,603
Total expenditures	$ 6,447,497	$ 5,920,511	$ 6,065,128	$ 5,607,203

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 7

SOUTH 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	$ 13,850
National School Lunch Program	10.555	FY05	63,444
Food Distribution Program (non-cash)	10.550	FY05	17,539
Total Department of Agriculture			94,833
Department of Education			
Passed Through Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	6100-G-5	102,257
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY05	4,064
Tech-Prep Education	84.243	FY05	2,171
State Grants for Innovative Programs	84.298	FY05	6,932
Improving Teacher Quality State Grants	84.367	FY05	34,484
Rural Education Achievement Program	84.358	FY05	16,222
Special Education - Grants to States	84.027	FY05	41,079
Total Department of Education			207,209
			$ 302,042

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
South Winneshiek Community School District
Calmar, 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 South Winneshiek Community School District as of and for the year ended June 30, 2005, which collectively comprise South Winneshiek Community School District's basic financial statements and have issued our report thereon dated August 25, 2005. We did not express an opinion on the governmental activities because we were unable to audit the historical cost of capital assets and depreciation expense. Except as discussed in the preceding sentence, 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 South 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 South 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 South Winneshiek Community School District in a separate letter dated August 25, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South 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 South Winneshiek Community School District in a separate letter dated August 25, 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, Nilson + Co., P.C.

Decorah, Iowa
August 25, 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
South Winneshiek Community School District
Calmar, Iowa

In planning and performing our audit of the financial statements of South 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 thru 10 below are compliance comments required by the Iowa Auditor of State. A separate report dated August 25, 2005 contains our report on reportable conditions in the District's internal control. This letter does not affect our report dated August 25, 2005, on the financial statements of the South Winneshiek Community School District. Comment numbers 7, 11, 12, and 13 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.

2. Certified Budget

   Disbursements for the year ended June 30, 2005, exceeded the amounts budgeted in the instructional function area.

   Recommendation

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

   Response and Corrective Action Planned

   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 during our audit that there was one transfer between the general fund and nutrition enterprise fund that was not authorized in the Board minutes. We noted no minutes and bills that had not been published as required.

Recommendation

We recommend that the Board approve all transfers between funds and document approval in the meeting minutes.

Response and Corrective Action Planned

We will have the Board approve transfers before the transfers are made.

Conclusion

Response accepted.

8. Certified Enrollment

We noted no variances in the basic enrollment data certified to the Department of Education.

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. Student Activity Funds

As of June 30, 2005, several individual student activity accounts have negative account balances. Some of these accounts historically have had operating deficits.

Recommendation

We recommend that a plan be established to eliminate the deficit accounts including but not limited to the reallocation of funds among the accounts.

Response and Corrective Action Planned

Our objective is to report what the activities true picture are at June 30 and make transfers if appropriate on July 1.

Conclusion

Response accepted.

12. Property and Equipment Records

A partial record of the District's fixed assets is maintained on individual property journals. Property journal totals have not been reconciled to balance additions and deletions to the general 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.

Recommendation

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

Response and Corrective Action Planned

We are in the process of compiling the information.

Conclusion

Response accepted.

13. Disbursements

During our audit, we noticed various items that were not in compliance with District procedures. There were four receiving slips that did not have the Superintendent's approval. There was one invoice that did not have the Board's approval. There was also one invoice that was not marked paid. We also noticed that the Superintendent fills out reimbursement forms for mileage and approves the form, with no other approval signatures.

Recommendation

We recommend that the appropriate or designated person(s) review and authorize all invoices, supporting documents, as well as sign checks. The District personnel need to verify that the computer check numbers are the same as on the pre-printed check numbers.

13. Disbursements (Continued)

Response and Corrective Action Planned

We are cognizant of our responsibilities to follow District procedures and consider these findings to be isolated events. We have reviewed your recommendation and will make every attempt to implement.

Conclusion

Response accepted.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of South 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 25, 2005