NORTH WINNESHIEK
COMMUNITY SCHOOL DISTRICT
DECORAH, IOWA

FINANCIAL REPORT

JUNE 30, 2006

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		14-28
Required Supplementary Information		
Budgetary Comparison Schedule of Receipts, Disbursements, And Changes in Balance-Budget and Actual (Cash Basis)- All Governmental Funds and Proprietary Fund		29
Budget to GAAP Reconciliation		30
Notes to Required Supplementary Information-Budgetary Reporting		31
INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION		32
OTHER SUPPLEMENTARY INFORMATION	Schedule	
Nonmajor Governmental Funds		
Combining Balance Sheet	1	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	34
Nonmajor Special Revenue Funds		
Combining Balance Sheet	3	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	36
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	37
Comparative Schedule of Revenues and Expenditures	6	38
Schedule of Expenditures of Federal Awards	7	39
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*		40-41
MANAGEMENT LETTER		42-44

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION AND SCHOOL OFFICIALS

Name	Title	Address	Term Expires
	Board of Education (Before September 2005 Election)		
Phil Richert	President	Mabel, Minnesota	2006
Matt Jackson	Vice President	Decorah, Iowa	2008
Halley Sutton	Member	Decorah, Iowa	2006
Renae McIntosh	Member	Decorah, Iowa	2007
Myron Rediske	Member	Mabel, Minnesota	2007
	Board of Education (After September 2005 Election)		
Phil Richert	President	Mabel, Minnesota	2006
Matt Jackson	Vice President	Decorah, Iowa	2008
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

123 West Water Street
P.O. Box 507
Decorah, Iowa 52101
Telephone 563 382-3637
Fax 563 382-5797

HACKER, NELSON & CO., P.C.
Certified Public Accountants
And Business Consultants

www.hackernelson.com

9 North Locust Avenue
P.O. Box 529
New Hampton, Iowa 50659
Telephone 641 394-2245
Fax 641 394-3138

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, 2006, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Winneshiek Community School District as of June 30, 2006, and the respective changes in financial position, and, where applicable, cash flows 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 3, 2006, 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 assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on page 4 and pages 29 through 31, 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 3, 2006

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
DECORAH, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2006

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, 2006.

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 decreased by $42,679. Property taxes increased approximately $26,722 and local option sales tax increased approximately by $4,753. District program expenses were 6% or approximately $228,000 more in 2006 than in 2005.

General fund revenues accounted for $2,966,271 in revenue or 87.7% of all revenues. General fund expenditures accounted for $3,126,626 in expenditures or 87.7% 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 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 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 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 2006 totaled $1,362,678.

Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total		Percent
	2005	2006	2005	2006	2005	2006	Change
Current and other assets	$ 2,046	$ 2,042	$ 9	$ 6	$ 2,055	$ 2,048	-0.34%
Capital assets	1,394	1,548	6	5	1,400	1,553	10.93%
Total assets	3,440	3,590	15	11	3,455	3,601	4.23%
Long-term debt outstanding	803	864	-	-	803	864	7.60%
Other liabilities	1,232	1,364	16	10	1,248	1,374	10.10%
Total liabilities	2,035	2,228	16	10	2,051	2,238	9.12%
Net assets							
Invested in capital assets, net of related debt	621	793	6	5	627	798	27.27%
Restricted	373	301	-	-	373	301	-19.30%
Unrestricted	411	268	(7)	(4)	404	264	-34.65%
Total net assets	$ 1,405	$ 1,362	$ (1)	$ 1	$ 1,404	$ 1,363	-2.92%

The following analysis shows the change in net assets for the year ending June 30, 2006:

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

	Governmental Activities		Business-type Activities		Total		Percent
	2005	2006	2005	2006	2005	2006	Change
Revenues:							
Program revenue							
Charges for service	$ 294	$ 301	$ 45	$ 53	$ 339	$ 354	4.42%
Operating grants	257	407	45	48	302	455	50.66%
General revenue							
Property taxes	998	971	-	-	998	971	-2.71%
Sales tax and surtax	327	332	-	-	327	332	1.53%
Unrestricted state grants	1,278	1,261	-	-	1,278	1,261	-1.33%
Unrestricted investment earnings	39	78	-	-	39	78	100.00%
Other revenue	18	31	-	-	18	31	72.22%
Total revenues	3,211	3,381	90	101	3,301	3,482	5.48%
Program expenses:							
Instruction	2,240	2,370	-	-	2,240	2,370	5.80%
Student support	653	760	-	-	653	760	16.39%
Non-instructional programs	19	8	103	99	122	107	-12.30%
Other expenses	294	286	-	-	294	286	-2.72%
Total expenses	3,206	3,424	103	99	3,309	3,523	-6.47%
Increase (decrease) in net assets	5	(43)	(13)	2	(8)	(41)	-412.50%
Net assets Beginning of Year	1,400	1,405	12	(1)	1,412	1,404	-0.57%
Net assets End of Year	$ 1,405	$ 1,362	$ (1)	$ 1	$ 1,404	$ 1,363	-2.92%

INDIVIDUAL FUND ANALYSIS

As the District completed the year, its governmental funds reported a combined fund balance of $637,958, an $185,121 decrease of the 2005 fiscal year end balance of $823,079. The District spent $280,508 more than the prior fiscal year.

- The general fund received more revenue during fiscal year 2006 through property taxes. The general fund expenditures increased in instructional area and the support services area to net to a $226,515 increase in expenditures. The ending fund balance showed a decrease from the prior year of $452,945 to $292,590.

- The capital projects fund balance decreased due to the increase of capital expenditures.

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 2006 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	$ 1,750	$ 1,650	$ 100
Intermediate sources	1	-	1
State sources	1,480	1,527	(47)
Federal sources	249	173	76
Total receipts	$ 3,480	$ 3,350	$ 130
Disbursements			
Instruction	$ 2,354	$ 2,304	$ (50)
Student support	793	849	56
Non-instructional programs	113	106	(7)
Other expenses	304	367	63
Total disbursements	$ 3,564	$ 3,626	$ 62

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2006, North Winneshiek Community School District had $1,547,649 invested in a broad range of capital assets, including buildings, land and equipment for the governmental activities. For the enterprise funds, the District had $5,130 invested in equipment in the school nutrition fund.

The District had depreciation expense of $125,306 for fiscal 2006 and total accumulated depreciation of $2,079,485 as of June 30, 2006. 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 $820,324 in bonds and other debt compared to approximately $808,319 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 $4,347,647 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

1. The District's spending authority for FY06 is $381,402.00. 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. The North Winneshiek's current financial status is considered average at this time.

   Encouraging Financial Issues for the North Winneshiek School District

   - The 9-12 whole grade sharing agreement with Decorah and the 9-12 reciprocal sharing agreement with Mabel-Canton have 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 for:
     - district infrastructure,
     - buses,
     - computers
     - and for payment on the District's debt.

     The local option sales tax provides direct property tax relief.

2. The District's revenue is directly tied to student enrollment. Therefore, it is important to analyze enrollment trends. The District's enrollment will increase from 329.3 in FY07 to 330.7 in FY08, which is a net gain of 1.4 students. The District's certified enrollment increased; however, the increase is due to open enrolled out kindergarten students and students who have moved into the North Winneshiek School District with the intention of open enrolling out. We receive state funding for these students and then turn around and pay other school districts for their education.

Even though the certified enrollment increased, the total regular program funding will decrease because the District will not qualify for the regular budget guarantee or the 101% budget guarantee for next year. The 330.7 student count will not generate enough revenue to surpass this year's regular program cost; therefore, the 2007-2008 regular program district funding will drop by $27,416.20.

In order to remain financially solvent, the District will need to make the necessary adjustments to absorb the loss of revenue by reducing expenditures. Also, the District must carefully address and analyze its long term strategic plan.

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 Road, Decorah, IA 52101.

EXHIBIT A

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments			
Other	$ 880,641	$ 1,588	$ 882,229
Receivables			
Property tax			
Delinquent	16,066		16,066
Succeeding year	1,069,415		1,069,415
Accounts	843	-	843
Due from other governments	75,686		75,686
Inventories		4,035	4,035
Capital assets, non-depreciable	10,000		10,000
Capital assets, net of accumulated depreciation	1,537,649	5,130	1,542,779
Total assets	$ 3,590,300	$ 10,753	$ 3,601,053
LIABILITIES			
Excess of outstanding checks over bank balance	$ 53,672		$ 53,672
Accounts payable	105,674	$ -	105,674
Salaries and benefits payable	183,640		183,640
Interfund payable (receivable)	(9,442)	9,442	-
Accrued interest payable	3,106		3,106
Deferred revenue			
Succeeding year property tax	1,069,415	810	1,070,225
Other	1,734		1,734
Long-term liabilities			
Portion due within one year			
Bonds payable	60,000		60,000
Capital leases	22,242		22,242
Early retirement	9,219		9,219
Portion due after one year			
Bonds payable	630,000		630,000
Capital leases	42,072		42,072
Early retirement	56,791		56,791
Total liabilities	2,228,123	10,252	2,238,375
NET ASSETS			
Invested in capital assets, net of related debt	793,335	5,130	798,465
Restricted for			
Debt service			-
Capital projects	277,348		277,348
Physical plant and equipment levy	24,051		24,051
Unrestricted (deficit)	267,443	(4,629)	262,814
Total net assets	1,362,177	501	1,362,678
Total liabilities and net assets	$ 3,590,300	$ 10,753	$ 3,601,053

See Notes to Financial Statements.

EXHIBIT B

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

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	$ 1,664,610	$ 195,704	$ 121,609	$ (1,347,297)		$ (1,347,297)
Special instruction	472,837	37,289	120,007	(315,541)		(315,541)
Other instruction	232,265	32,242	55,574	(144,449)		(144,449)
	2,369,712	265,235	297,190	(1,807,287)		(1,807,287)
Support services						
Student services	81,471	22,334		(59,137)		(59,137)
Instructional staff services	38,215			(38,215)		(38,215)
Administration services	226,694			(226,694)		(226,694)
Operation and maintenance plant services	129,735	3,600		(126,135)		(126,135)
Transportation services	284,260	10,000		(274,260)		(274,260)
	760,375	35,934		(724,441)		(724,441)
Non-instructional	8,482			(8,482)		(8,482)
Other						
Long-term debt interest	36,141			(36,141)		(36,141)
Facilities acquisition	86,930			(86,930)		(86,930)
AEA flowthrough	110,110		110,110	-		-
Depreciation (unallocated)	52,474			(52,474)		(52,474)
	285,655		110,110	(175,545)		(175,545)
Total governmental activities	3,424,224	301,169	407,300	(2,715,755)		(2,715,755)
Business-type activities						
Non-instructional programs						
Nutrition services	99,299	53,290	47,821		$ 1,812	1,812
Total	$ 3,523,523	$ 354,459	$ 455,121	(2,715,755)	1,812	(2,713,943)
General revenues						
Property taxes levied for						
General purposes				842,421		842,421
Management				100,207		100,207
PPEL				28,754		28,754
Local option sales tax and surtax				331,593		331,593
Unrestricted state grants				1,261,385		1,261,385
Unrestricted investment earnings				78,208		78,208
Other				30,508		30,508
Total general revenues				2,673,076	-	2,673,076
Change in net assets				(42,679)	1,812	(40,867)
Net assets (deficit), beginning of year				1,404,856	(1,311)	1,403,545
Net assets, end of year				$ 1,362,177	$ 501	$ 1,362,678

See Notes to Financial Statements.

EXHIBIT C

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and pooled investments				
Other	$ 505,254	$ 309,963	$ 65,424	$ 880,641
Receivables				
Property tax				
Delinquent	13,933		2,133	16,066
Succeeding year	971,012		98,403	1,069,415
Accounts	-		843	843
Due from other funds	9,442		-	9,442
Due from other governments	34,557	41,129		75,686
Total assets	$ 1,534,198	$ 351,092	$ 166,803	$ 2,052,093
LIABILITIES AND FUND BALANCES				
Liabilities				
Excess of outstanding checks over bank balance	$ 53,672			$ 53,672
Accounts payable	31,550	$ 73,744	$ 380	105,674
Salaries and benefits payable	183,640			183,640
Deferred revenue				
Succeeding year property tax	971,012		98,403	1,069,415
Other	1,734			1,734
Total liabilities	1,241,608	73,744	98,783	1,414,135
Fund balances				
Reserved for				
Debt service			138	138
Unreserved, reported in				
General fund	292,590			292,590
Special revenue funds			67,882	67,882
Capital projects fund		277,348		277,348
Total fund balances	292,590	277,348	68,020	637,958
Total liabilities and fund balances	$ 1,534,198	$ 351,092	$ 166,803	$ 2,052,093

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET ASSETS		
Total governmental fund balances	$	637,958
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 $ 2,015,385		1,547,649
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		(690,000)
Capital leases		(64,314)
Accrued interest		(3,106)
Early retirement		(66,010)
Net assets of governmental activities per Exhibit A	$	1,362,177

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, 2006

	General	Capital Projects	Nonmajor Governmental Funds	Total
REVENUES				
Local sources				
Local property tax	$ 922,149		$ 128,961	$ 1,051,110
Tuition	251,262			251,262
Other	125,388	$ 261,523	24,788	411,699
Intermediate sources	593			593
State sources	1,478,799		-	1,478,799
Federal sources	188,080			188,080
Total revenues	2,966,271	261,523	153,749	3,381,543
EXPENDITURES				
Current				
Instruction				
Regular instruction	1,606,219		8,366	1,614,585
Special instruction	472,837			472,837
Other instruction	208,370		23,895	232,265
	2,287,426		32,261	2,319,687
Support services				
Student services	74,958		664	75,622
Instructional staff services	60,146			60,146
Administration services	225,186		1,508	226,694
Operation and maintenance plant services	123,386		22,828	146,214
Transportation services	238,341		14,219	252,560
	722,017		39,219	761,236
Non-instructional	7,073		1,407	8,480
Other				
Long-term debt				
Principal		23,319	60,000	83,319
Interest and fiscal charges		1,015	35,908	36,923
Facilities acquisition		147,691	99,218	246,909
AEA flowthrough	110,110			110,110
	110,110	172,025	195,126	477,261
Total expenditures	3,126,626	172,025	268,013	3,566,664
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(160,355)	89,498	(114,264)	(185,121)
OTHER FINANCING SOURCES (USES)				
Operating transfers in			140,086	140,086
Operating transfers (out)	-	(140,086)		(140,086)
	-	(140,086)	140,086	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES	(160,355)	(50,588)	25,822	(185,121)
FUND BALANCE, beginning of year	452,945	327,936	42,198	823,079
FUND BALANCE, end of year	$ 292,590	$ 277,348	$ 68,020	$ 637,958

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, 2006

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			$ (185,121)
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 exceed depreciation in the period.			
Depreciation	$ (124,679)		
Capital outlays	214,030		89,351
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.			83,319
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.			782
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			(31,010)
Change in net assets of governmental activities per Exhibit B			$ (42,679)

See Notes to Financial Statements.

EXHIBIT E

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2006

	School Nutrition Fund
ASSETS	
CURRENT ASSETS	
Cash	$ 1,588
Inventories	4,035
Total current assets	5,623
NONCURRENT ASSETS	
Furniture and equipment	69,230
Less accumulated depreciation	(64,100)
Total noncurrent assets	5,130
Total assets	$ 10,753
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Due to other funds	$ 9,442
Deferred revenue	810
Total liabilities	10,252
NET ASSETS	
Invested in capital assets, net of related debt	5,130
Unrestricted deficit	(4,629)
Total net assets	501
Total liabilities and net assets	$ 10,753

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, 2006

	School Nutrition Fund
OPERATING REVENUES	
Local sources	
Charges for services	$ 53,290
OPERATING EXPENSES	
Non-instructional programs	
Food service operations	
Salaries and benefits	57,351
Supplies	41,321
Depreciation	627
Total operating expenses	99,299
Operating loss	(46,009)
NONOPERATING REVENUES	
State sources	1,354
Federal sources	46,467
Total nonoperating revenues	47,821
Change in net assets	1,812
Net assets (deficit), beginning of year	(1,311)
Net assets, end of year	$ 501

See Notes to Financial Statements.

EXHIBIT G

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2006

	School Nutrition Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from sale of lunches and breakfasts	$ 53,290
Cash received from miscellaneous operating activities	810
State grants and federal grants received	47,821
Cash payments to employees for services	(63,175)
Cash payments to suppliers for goods and services	(41,176)
Net cash used in operating activities	(2,430)
CASH, beginning of year	4,018
CASH, end of year	$ 1,588
Reconciliation of operating income to net cash used in operating activities	
Operating income	$ 1,812
Adjustments to reconcile operating income to net cash used in operating activities	
Depreciation	627
Decrease in inventories	933
(Decrease) in accounts payable	(788)
Increase in deferred revenue	810
(Decrease) in reimbursements due to other funds	(5,824)
Net cash used in operating activities	$ (2,430)

Non-cash, non-capital financing activities:
During the year ended June 30, 2006, the District received commodities valued at $8,616.

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.

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

b. Significant Accounting Policies (Continued)

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 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.

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 and Basis of Accounting

Measurement focus refers to what is being measured.

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. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The School District considers revenues to be available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund related fund liability is incurred.

b. The government-wide statements and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

b. Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's 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 nonoperating revenues and expenses.

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

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.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Equity (Continued)

Cash, Pooled Investments and Cash Equivalents (Continued)

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.

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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

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 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.

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, 2006 was used to calculate the salaries payable.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Equity (Continued)

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 and unspent grant proceeds. 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 and unspent grant proceeds.

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 an 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.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Equity (Continued)

Net Assets (Continued)

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, 2006 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, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified portfolio	$ 815,356

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

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

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2006:

Governmental	
General fund	
Title I	$ 34,557
Capital projects	
Local option sales tax	41,129
	$ 75,686

4. Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Governmental activities				
Land	$ 10,000			$ 10,000
Capital assets being depreciated				
Improvements	302,821	$ 17,411		320,232
Buildings	1,993,227			1,993,227
Furniture and equipment	978,642	260,933		1,239,575
Total capital assets being depreciated	3,274,690	278,344	$ None	3,553,034
Less accumulated depreciation for:				
Improvements	870,912	40,065		910,977
Buildings	285,671	10,174		295,845
Furniture and equipment	734,123	74,440		808,563
Total accumulated depreciation	1,890,706	124,679	None	2,015,385
Total capital assets being depreciated, net	1,383,984	153,665	None	1,537,649
Governmental activities Capital assets	$ 1,393,984	$ 153,665	$ None	$ 1,547,649

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Business-type activities				
Furniture and equipment	$ 69,230			$ 69,230
Less accumulated depreciation	63,473	$ 627	$ None	64,100
Business-type activities Capital assets, net	$ 5,757	$ (627)	$ None	$ 5,130

4. Capital Assets (Continued)

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

Governmental activities:	
Instruction:	
Regular	$ 23,353
Support services:	
Administration services	5,849
Operation and maintenance	2,595
Transportation	40,408
	72,205
Unallocated depreciation	52,474
Total depreciation expense – governmental activities	$ 124,679
Business-type activities	
Food services	$ 627

5. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2006 was as follows:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Amounts Due Within One Year
Governmental activities					
Bonds					
General obligation	$ 750,000		$ 60,000	$ 690,000	$ 60,000
Other liabilities					
Capital leases	23,319	$ 64,314	23,319	64,314	22,242
Early retirement	35,000	35,000	3,990	66,010	9,219
	58,319	99,314	27,309	130,324	31,461
Governmental activities Long-term liabilities	$ 808,319	$ 99,314	$ 87,309	$ 820,324	$ 91,461

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, 2006 totaled $3,990.

5. Long-term Debt Obligations (Continued)

b. Bonded Indebtedness

$690,000 1998 General Obligation Serial Bonds, due annually in varying installments May 1, 2007 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
2007	$ 60,000	$ 34,212
2008	65,000	30,912
2009	70,000	27,662
2010	75,000	24,372
2011	75,000	20,810
2012-2015	345,000	44,016
	$ 690,000	$ 181,984

At June 30, 2006, the debt issued by the District did not exceed its legal debt margin compiled as follows:

Total assessed valuation	$ 86,952,947
Debt limit – 5% of total assessed valuation	$ 4,347,647
Debt applicable to debt limit	
Capital leases	(64,314)
General obligation bonded debt outstanding	(690,000)
Legal debt margin	$ 3,593,333

5. Long-term Debt Obligations (Continued)

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, 2006.

Year ending June 30,	Amount
2007	$ 23,464
2008	23,464
2009	23,464
	$ 70,392
Minimum lease payments	$ 70,392
Less amount representing interest	6,078
Present value of minimum lease payments	$ 64,314

6. Due to/from Other Funds

As of June 30, 2006, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund	$ 9,442	
School nutrition		$ 9,442
	$ 9,442	$ 9,442

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, 2006 is as follows:

	Transfers In	Transfers Out
Capital projects fund		$ 140,086
Physical plant, and equipment levy fund	$ 78,795	
Debt service fund	61,291	
Total	$ 140,086	$ 140,086

7. Interfund Transfers (Continued)

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,	
2007	$ 1,020
2008	510
	$ 1,530

Total lease expense for the year ended June 30, 2006 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, 2006, 2005, and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were $70,824, $66,369, and $62,347 respectively, equal to the required contributions for each year.

10. Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education and no more than five employees per year will be granted benefits under the policy.

Early retirement benefits are equal to 60% of the employee's last year of employment, with a maximum retirement benefit of $35,000.

Early retirement benefits will be paid in three equal installments beginning in January following the start of retirement. The second payment will be paid the following July, and the third and final payment shall be paid during July of the next year.

10. Termination Benefits (Continued)

At June 30, 2006, the District has obligations to two participants with a total liability of $66,010. Actual early retirement expenditures for the year ended June 30, 2006 totaled $3,990.

11. 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, 2005 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, 2006, 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, 2006 was unavailable as of August 3, 2006. The District contributed $228,150 for the year ended June 30, 2006.

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, 2006, no liability has been recorded in the District's financial statements. As of June 30, 2006, 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.

12. 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.

13. 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 $110,110 for the year ended June 30, 2006 and is recorded in the general fund by making a memorandum adjusting entry to the cash basis financial statements.

14. 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, 2006 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 11, the District is contingently liable for any unreported claim or assessment in excess of their balance in the insurance pool.

15. 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.

At June 30, 2006, the school district has entered into a commitment to purchase a handicap bus for $67,811 and computers for $23,464.

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, 2006

	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	$ 1,696,265	$ 54,100	$ 1,750,365	$ 1,650,018		$ 100,347
Intermediate sources	593	-	593	-		593
State sources	1,478,799	1,354	1,480,153	1,526,971		(46,818)
Federal sources	202,579	46,467	249,046	173,000		76,046
Total receipts	3,378,236	101,921	3,480,157	3,349,989		130,168
DISBURSEMENTS						
Instruction	2,354,149		2,354,149	2,304,219		(49,930)
Support services	793,241		793,241	848,636		55,395
Non-instructional	8,482	104,351	112,833	106,495		(6,338)
Other	304,299		304,299	367,058		62,759
Total disbursements	3,460,171	104,351	3,564,522	3,626,408		61,886
EXCESS OF RECEIPTS OVER DISBURSEMENTS	(81,935)	(2,430)	(84,365)	(276,419)		192,054
OTHER FINANCING SOURCES, NET	(13,002)	-	(13,002)	-		(13,002)
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	(94,937)	(2,430)	(97,367)	(276,419)		179,052
FUND BALANCE, beginning of year	921,916	4,018	925,934	844,256		81,678
FUND BALANCE, end of year	$ 826,979	$ 1,588	$ 828,567	$ 567,837		$ 260,730

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, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 3,378,236	$ 3,307	$ 3,381,543
Expenditures	3,460,171	121,446	3,581,617
Net	(81,935)	(118,139)	(200,074)
Other financing sources, net	(13,002)	13,002	-
Beginning fund balance	921,916	(98,837)	823,079
Ending fund balances	$ 826,979	$ (203,974)	$ 623,005

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	$ 101,921	$ (810)	$ 101,111
Expenses	104,351	(5,052)	99,299
Net	(2,430)	4,242	1,812
Beginning net assets (deficit)	4,018	(5,329)	(1,311)
Ending net assets (deficit)	$ 1,588	$ (1,087)	$ 501

See Notes to Required Supplementary Information.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2006

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 a 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. 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 District expenditures in the general fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, disbursements in the instruction and non-instructional areas exceeded the amount budgeted.

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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.

We have previously audited, in accordance with U.S. generally accepted auditing standards, the basic financial statements of North Winneshiek Community School District for the year ended June 30, 2005, which is not presented herein, and expressed an unqualified opinion on those basic financial statements. 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 30, 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 38 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. In our opinion, the information set forth in the required supplementary information for the period ended June 30, 2006 and June 30, 2005, appearing on page 38, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
August 3, 2006

SCHEDULE 1

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	Special Revenue	Debt Service	Total Nonmajor Funds
ASSETS			
Cash and pooled investments	$ 65,286	$ 138	$ 65,424
Receivables			
Property tax			
Delinquent	2,133		2,133
Succeeding year	98,403	-	98,403
Accounts	843	-	843
Due from other funds		-	-
Total assets	$ 166,665	$ 138	$ 166,803
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 380	$ -	$ 380
Deferred revenue			
Succeeding year property tax	98,403		98,403
Total liabilities	98,783	-	98,783
Fund balances			
Reserved for			
Debt service		138	138
Unreserved	67,882		67,882
	67,882	138	68,020
Total liabilities and fund balances	$ 166,665	$ 138	$ 166,803

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, 2006

	Special Revenue	Debt Service	Total Nonmajor Funds
REVENUES			
Local sources			
Property taxes	$ 128,961		$ 128,961
Other	23,900	$ 888	24,788
Total revenues	152,861	888	153,749
EXPENDITURES			
Current			
Instruction			
Regular instruction	8,366		8,366
Other instruction	23,895		23,895
Support services			
Student services	664		664
Administration services	1,508		1,508
Operation and maintenance plant services	22,828		22,828
Transportation services	14,219		14,219
Non-instructional	1,407		1,407
Other			
Facilities acquisition	99,218		99,218
Long-term debt			
Principal		60,000	60,000
Interest and fiscal charges		35,908	35,908
Total expenditures	172,105	95,908	268,013
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(19,244)	(95,020)	(114,264)
OTHER FINANCING SOURCES			
Transfers in	78,795	61,291	140,086
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND FINANCING USES	59,551	(33,729)	25,822
FUND BALANCE, beginning of year	8,331	33,867	42,198
FUND BALANCE, end of year	$ 67,882	$ 138	$ 68,020

See Independent Auditor's Report on the Supplementary Information.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2006

	Management Levy	Physical Plant and Equipment Levy	Student Activity	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and pooled investments	$ 33,427	$ 23,575	$ 8,284	$ 65,286
Receivables				
Property tax				
Delinquent	1,657	476		2,133
Succeeding year	69,529	28,874		98,403
Accounts	-		843	843
Total assets	$ 104,613	$ 52,925	$ 9,127	$ 166,665
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable			$ 380	$ 380
Deferred revenue				
Succeeding year property tax	$ 69,529	$ 28,874	-	98,403
Total liabilities	69,529	28,874	380	98,783
Fund balances				
Unreserved	35,084	24,051	8,747	67,882
Total liabilities and fund balances	$ 104,613	$ 52,925	$ 9,127	$ 166,665

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 4

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2006

	Management Levy	Physical Plant and Equipment Levy	Student Activity	Total Nonmajor Special Revenue Funds
REVENUES				
Local sources				
Local property tax	$ 100,207	$ 28,754		$ 128,961
Other	1,280	286	$ 22,334	23,900
Total revenues	101,487	29,040	22,334	152,861
EXPENDITURES				
Current				
Instruction				
Regular instruction	8,366			8,366
Other instruction			23,895	23,895
Support services				
Student services	664			664
Instructional staff services				-
Administration services	1,508			1,508
Operation and maintenance plant services	22,828			22,828
Transportation services	14,219			14,219
Non-instructional	1,407			1,407
Other				
Facilities acquisition		99,218		99,218
Total expenditures	48,992	99,218	23,895	172,105
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	52,495	(70,178)	(1,561)	(19,244)
OTHER FINANCING SOURCES (USES)				
Operating transfers in		78,795		78,795
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES	52,495	8,617	(1,561)	59,551
FUND BALANCE, beginning of year	(17,411)	15,434	10,308	8,331
FUND BALANCE, end of year	$ 35,084	$ 24,051	$ 8,747	$ 67,882

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, 2006

	Balance June 30, 2005	Revenues	Expenditures	Balance June 30, 2006
Summer Recreation	$ 1,697	$ 2,421	$ 3,541	$ 577
Staff Activity	285	313	-	598
Playground	1	-	-	1
Athletics	63	1,227	873	417
Elementary Recreation	683	426	663	446
Yearbook	221	900	1,010	111
Elementary Student Council	626	282	161	747
Middle Student Council	2,168	7,084	7,417	1,835
Clearing	-	3,596	3,596	-
Miscellaneous Student Activity	2,068	1,512	2,614	966
Box tops/Milk caps	1,984	2,000	1,901	2,083
Fifth grade	216	683	555	344
NWBL	296	1,890	1,564	622
	$ 10,308	$ 22,334	$ 23,895	$ 8,747

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				
	2006	2005	2004	2003	2002
REVENUES					
Local sources					
Local tax	$ 1,051,110	$ 1,073,996	$ 1,339,652	$ 1,305,657	$ 1,245,576
Tuition	251,262	217,594	176,324	175,310	236,797
Other	411,699	384,591	105,559	93,069	147,546
Intermediate sources	593	719	-	-	-
State sources	1,478,799	1,485,245	1,301,288	1,398,967	1,527,505
Federal sources	188,080	123,443	122,077	130,025	154,758
Total revenues	$ 3,381,543	$ 3,285,588	$ 3,044,900	$ 3,103,028	$ 3,312,182
EXPENDITURES					
Current					
Instruction					
Regular instruction	$ 1,614,585	$ 1,671,552	$ 1,626,798	$ 1,592,302	$ 1,398,000
Special instruction	472,837	456,109	552,080	534,936	435,367
Other instruction	232,265	82,900	68,406	54,219	225,816
Support services					
Student services	75,622	47,476	46,381	39,818	54,357
Instructional staff services	60,146	47,342	33,155	35,829	33,271
Administration services	226,694	217,775	209,259	200,168	284,057
Operation and maintenance plant services	146,214	158,425	128,574	121,611	206,257
Transportation services	252,560	216,795	246,843	173,343	156,553
Non-instructional	8,480	18,804	6,783	13,503	13,520
Other					
Facilities acquisition	246,909	142,780	42,583	21,073	44
Long-term debt					
Principal	83,319	77,747	93,031	62,904	57,157
Interest and fiscal charges	36,923	39,942	41,518	47,850	47,960
AEA flowthrough	110,110	108,509	108,251	116,759	118,843
Total expenditures	$ 3,566,664	$ 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, 2006

Grantor/Program Title	Federal CFDA Number	Grant Number	Expenditures
Indirect			
Department of Agriculture			
Passed Through Iowa Department of Education			
School Breakfast Program	10.553	FY06	$ 7,094
National School Lunch Program	10.555	FY06	30,701
Food Distribution Program (non-cash)	10.550	FY06	9,398
Total Department of Agriculture			47,193
Department of Education			
Passed Through Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	1638-G-06	117,852
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY06	357
State Grants for Innovative Programs	84.298	FY06	1,795
Rural Education Achievement Program	84.358A	S358A044169	12,499
Improving Teacher Quality State Grants	84.367	FY06	16,032
Total Department of Education			148,535
			$ 195,728

See Independent Auditor's Report on the Supplementary Information.

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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 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, 2006, which collectively comprise North Winneshiek Community School District's basic financial statements and have issued our report thereon dated August 3, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 initiate, record, process, 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.

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 3, 2006.

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 3, 2006

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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, 2006, we considered the District's internal control to determine our auditing procedures for the purpose of expressing opinions 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 9 below are compliance comments required by the Iowa Auditor of State. A separate report dated August 3, 2006 contains our report on reportable conditions in the District's internal control. This letter does not affect our report dated August 3, 2006, on the financial statements of the North Winneshiek Community School District. Comment numbers 1, 10 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. **Certified Budget**

Disbursements for the year ended June 30, 2006, exceeded the amounts budgeted in the non-instructional functional area.

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 North Winneshiek School District will monitor fund expenditures and will amend the budget if the expenditures exceed the adopted budget amounts.

Conclusion

Response accepted.

2. 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.

3. 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.

4. Business Transactions

We noted no business transactions between the District and District officials and/or employees for the year ended June 30, 2006.

5. 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.

6. Board Minutes

We noted no transactions requiring Board approval, which had not been, approved by the Board. We also noted no minutes and bills that had not been published as required.

7. Certified Enrollment

No variances in the basic enrollment data certified to the Department of Education were noted.

8. 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.

9. Certified Annual Report

The Certified Annual Report (CAR) was certified to the Iowa Department of Education timely.

10. 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.

10. Property and Equipment Records (Continued)

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.

11. Disbursements

During our audit, we noticed various items that were not in compliance with District procedures. We noted three invoices were not cancelled, and there were no supporting documents for two general fund disbursements. 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 be canceled if needed.
- There are appropriate supporting documents for all disbursements.
- That the nutrition fund uses pre-numbered purchase orders and each purchase order number will be used once.

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, Tilson & Co., P.C.

Decorah, Iowa
August 3, 2006