

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
CRESCO, IOWA

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

JUNE 30, 2007

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HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2006 Election)		
Donald J. Conway	President	2006
Marilyn Reis	Vice President	2007
Jan Carman	Board Member	2008
Randall Richter	Board Member	2008
Duane Bodermann	Board Member	2006
<u>Board of Education</u>		
(After September 2006 Election)		
Donald J. Conway	President	2009
Marilyn Reis	Vice President	2007
Jan Carman	Board Member	2008
Randall Richter	Board Member	2008
Duane Bodermann	Board Member	2009
<u>School Officials</u>		
Brian Ney	Superintendent	2007
Janet Kreitzer	District Secretary/Treasurer	2007
Gruhn Law Firm	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Howard-Winneshiek Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Howard-Winneshiek Community School District, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Howard-Winneshiek Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2007 on our consideration of Howard-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 pages 7 through 17 and 52 through 53 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Howard-Winneshiek Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
December 4, 2007

Howard-Winneshiek Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

The Howard-Winneshiek Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. Financial statements include a Change in Net Assets, a Condensed Statement of Net Assets and a Statement of Activities, which provide information about the activities of the District as a whole and present a long term view of the District's finances.

Financial Highlights

Factors Affecting 2007 Financial Statement ending June 30, 2007

The District's revenues totaled \$15,712,744 for the year ended June 30, 2007, a 6.5 percent increase from the prior year. Revenues included \$6,424,274 in local tax, charges for service of \$1,101,067, operating grants and contributions of \$1,983,577 capital grants and contributions of \$322,727, unrestricted interest of \$217,711 and other general revenues of \$5,663,388.

Expenses for the District operations totaled \$14,638,209, a 4.7 percent increase from the prior year. Expenses included \$8,281,629 for instruction, \$1,333,213 for administration, and \$1,185,510 for operation and maintenance.

General Fund revenues increased from \$12,002,547 to \$12,379,554 (\$377,007 difference) in fiscal year 2007 while General Fund expenditures increased from \$11,965,932 to \$12,416,015 (\$450,083 difference) in fiscal year 2007.

The increase in General Fund revenues was attributable to increases in local property taxes, tuition, state and federal sources, and investment earnings received in fiscal 2007. The increase in expenditures was due primarily to an increase in energy costs and to salary and benefit costs.

Overview of the Financial Statements

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

District-wide Financial Statements

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. Net assets and how they have changed are one way to measure the District's financial health or position.

In the District-wide financial statements, the District's activities are divided into two categories:

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Business-type activities: The District charges fees to help it cover the costs of certain services it provides. The District's food service program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

- Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Thus the governmental fund statements provide a detailed short-term view of how educational and operational services were funded as well as what funding is available in the near future to finance the District's programs. The difference between governmental activities reported in the statement of net assets and the statement of activities and the governmental funds is reconciled in the financial statements.
- Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. This fund is reported in the same way as the District-wide statements. The District's proprietary fund is the *Enterprise, School Nutrition Fund*. This fund is used to account for the food service operations of the District.
- Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District's fiduciary funds include the Agency Fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The District uses different funds in accordance with the Uniform Financial Accounting for Iowa Leas, 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.

The School District as a Whole

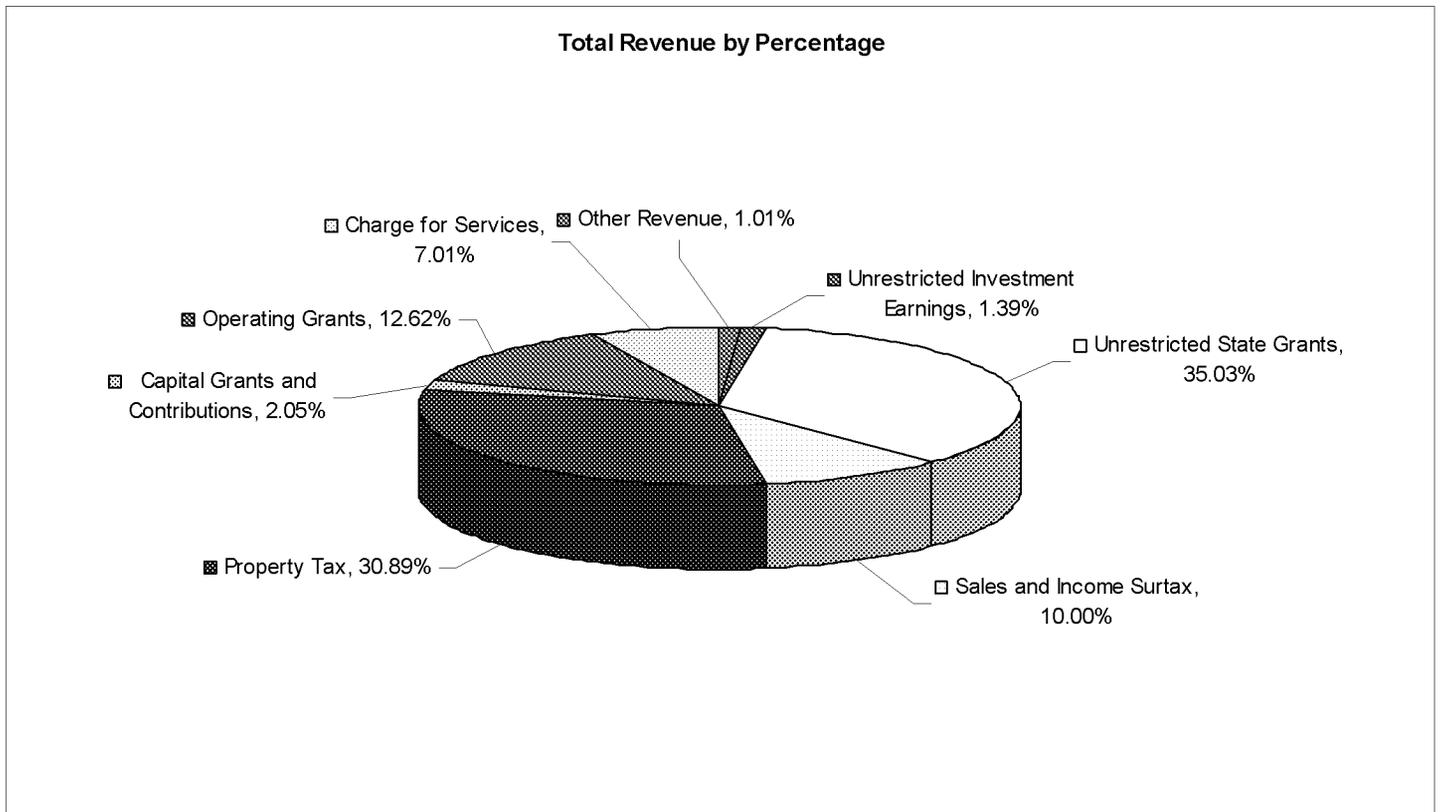
Overall district wide net assets improved \$1,074,535 for the year. Total revenues increased by 6.5 percent from the prior year and expenses increased by 4.7 percent from the prior year, the District continues to retire debt at a faster rate than capital assets are depreciating.

The following is a summary perspective of the statement of net assets of the District as a whole for the year ending June 30, 2007.

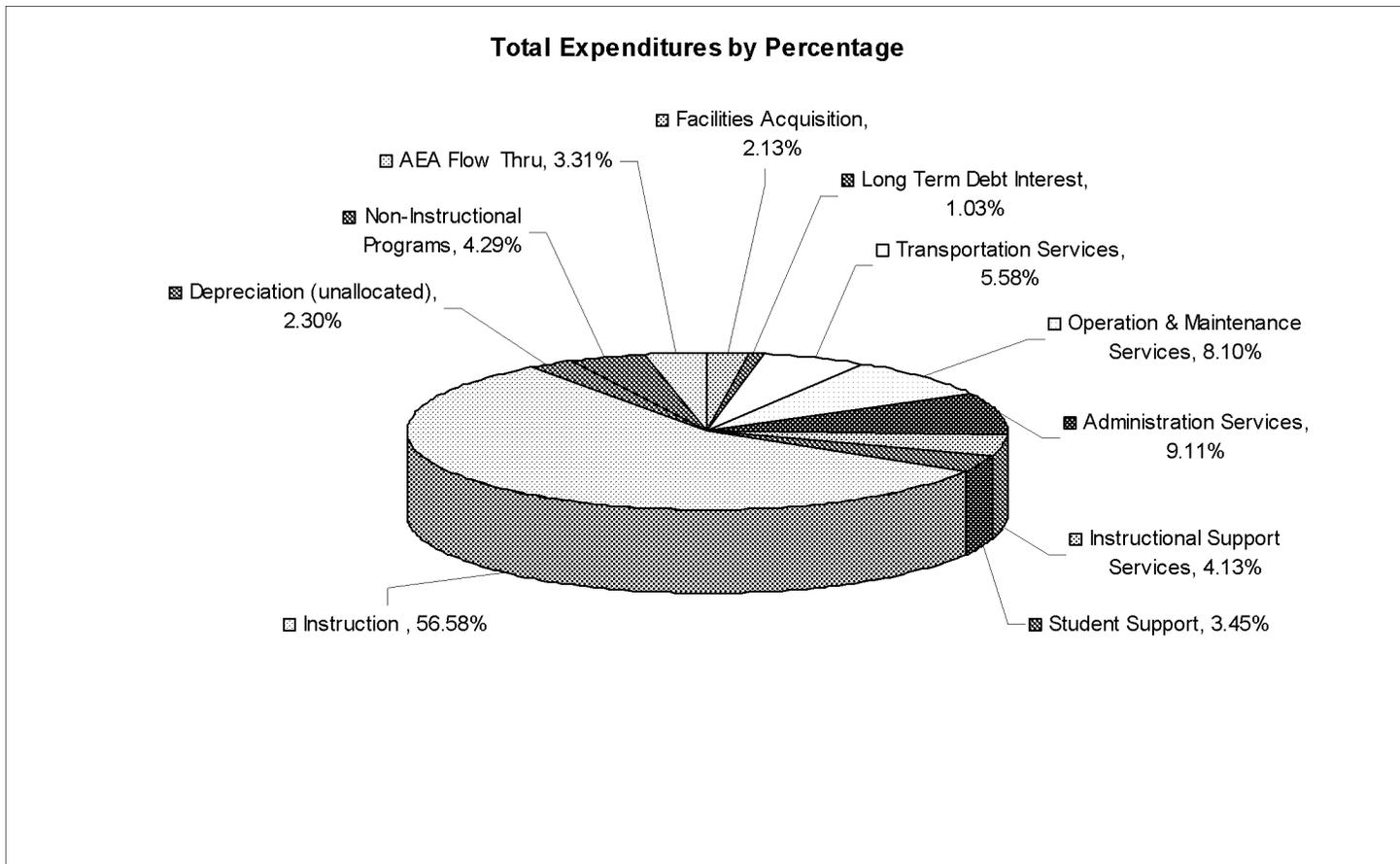
The Howard-Winneshiek Community School District's net assets at the end of the fiscal year 2007 totaled \$10,702,053.

	Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total		Total Percentage
	2006	2007	2006	2007	2006	2007	Change
Revenue							
Program Revenue							
Charge for Services	715,334	728,551	333,199	372,516	1,048,533	1,101,067	5.01%
Operating Grants	1,609,298	1,714,016	232,556	269,561	1,841,854	1,983,577	7.69%
Capital Grants and Contributions	20,000	322,727	8,425		28,425	322,727	1035.36%
General Revenue							
Property Taxes	4,728,396	4,852,961			4,728,396	4,852,961	2.63%
Sales and Income Surtax	1,382,504	1,571,313			1,382,504	1,571,313	13.66%
Unrestricted State Grants	5,462,569	5,503,935			5,462,569	5,503,935	0.76%
Unrestricted Investment Earnings	150,868	216,271	1,404	1,440	152,272	217,711	42.98%
Other Revenue	102,938	159,453			102,938	159,453	54.90%
Total Revenue	14,171,907	15,069,227	575,584	643,517	14,747,491	15,712,744	6.55%
Program Expense							
Instruction	8,025,782	8,281,629			8,025,782	8,281,629	3.19%
Student Support	467,585	484,839		20,297	467,585	505,136	8.03%
Instructional Support Services	484,526	604,306			484,526	604,306	24.72%
Administration Services	1,203,294	1,302,108	21,031	31,105	1,224,325	1,333,213	8.89%
Operation & Maintenance Services	1,164,075	1,181,613	10,392	3,897	1,174,467	1,185,510	0.94%
Transportation Services	846,862	816,842			846,862	816,842	-3.54%
Long Term Debt Interest	178,102	150,070			178,102	150,070	-15.74%
Facilities Acquisition	189,426	311,329			189,426	311,329	64.35%
AEA Flow Thru	467,927	485,091			467,927	485,091	3.67%
Non-Instructional Programs	16,509	25,399	573,411	602,715	589,920	628,114	6.47%
Depreciation (unallocated)	337,909	336,969			337,909	336,969	-0.28%
Total Expenses	13,381,997	13,980,195	604,834	658,014	13,986,831	14,638,209	4.66%
Change in net assets	789,910	1,089,032	-29,250	-14,497	760,660	1,074,535	
NET ASSETS beginning of year	8,749,754	9,539,664	117,104	87,854	8,866,858	9,627,518	
NET ASSETS End of Year	\$ 9,539,664	\$ 10,628,696	\$ 87,854	\$ 73,357	\$ 9,627,518	\$ 10,702,053	

The following chart indicates total District Revenue by percentage for 2006-2007:



The following chart indicates total District Expenses by percentage for 2006-2007:



Condensed Statement of Net Assets

A comparative analysis of fiscal year 2006 to 2007 follows:

<u>Condensed Statement of Net Assets</u>							Total
	Governmental Activities		Business-Type Activities		Total		Percentage Change 2007
	2006	2007	2006	2007	2006	2007	
Current and Other Assets	\$9,354,125	\$10,610,075	\$73,480	\$69,252	\$9,427,605	\$10,679,327	13.28%
Capital Assets	9,132,061	9,332,186	51,916	43,907	\$9,183,977	\$9,376,093	2.09%
Total Assets	<u>18,486,186</u>	<u>19,942,261</u>	<u>125,396</u>	<u>113,159</u>	<u>18,611,582</u>	<u>20,055,420</u>	7.76%
Long-Term Obligations	3,630,803	2,878,355	0	0	\$3,630,803	\$2,878,355	-20.72%
Other Liabilities	5,315,719	6,435,210	37,542	39,802	\$5,353,261	\$6,475,012	20.95%
Total Liabilities	<u>8,946,522</u>	<u>9,313,565</u>	<u>37,542</u>	<u>39,802</u>	<u>8,984,064</u>	<u>9,353,367</u>	4.11%
Invested in Capital Assets net of related debt	5,519,604	6,457,186	51,916	43,907	\$5,571,520	\$6,501,093	16.68%
Restricted	1,978,318	2,143,976			\$1,978,318	\$2,143,976	8.37%
Unrestricted	2,041,742	2,027,534	35,938	29,450	\$2,077,680	\$2,056,984	-1.00%
Total Net Assets	<u>\$9,539,664</u>	<u>\$10,628,696</u>	<u>\$87,854</u>	<u>\$73,357</u>	<u>\$9,627,518</u>	<u>\$10,702,053</u>	<u>11.16%</u>

Financial Analysis of the District's Funds

The District's governmental funds reported combined fund balances of **\$3,558,576** an **\$88,878** increase from the 2006 fiscal year end balance of **\$3,469,698**. The primary reason for the increase in combined fund balance for fiscal year 2007 was due to the increase in revenues in the General Fund and in the Capital Projects Fund. The District's General Fund (including the Instructional Support program) end of year cash balance increased \$151,996 to \$2,792,344 from the 2006 fiscal year end cash balance of \$2,640,348. The Capital Projects Fund's \$312,386 increase in revenue was due to the increase in local option sales tax revenues and federal grants. The Capital Projects Fund expenses increased by \$632,363 due to the construction in progress of the Early Childhood Center.

Proprietary Fund Highlights

In fiscal 2007 the revenues of the District's food service activities were \$600,322 and expenses were \$636,974. The School Nutrition Fund net assets decreased \$36,652 in fiscal year 2007. The District received \$29,373 in federal commodities.

Budgetary Highlights

In accordance with the Code of Iowa, the District's Board of Education annually adopts a budget, following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year as allowed by Iowa law to reflect the additional revenues and expenditures that may occur during the school year. The District's budget is prepared on the accrual basis. Encumbrances are not recognized on the budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the combined functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

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

The following table shows the original and amended budgets for the fiscal year 2007 as well as actual revenues and expenditures for the year:

	Governmental Funds - Actual	Proprietary Funds - Enterprise - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 7,386,434	\$ 394,880	\$ 7,781,314	\$ 7,442,393	\$ 7,442,393	\$ 338,921
State sources	6,681,279	7,220	6,688,499	6,669,239	6,669,239	19,260
Federal sources	798,154	241,417	1,039,571	937,884	937,884	101,687
Total revenues	14,865,867	643,517	15,509,384	15,049,516	15,049,516	459,868
EXPENDITURES:						
Instruction	8,247,963	-	8,247,963	8,787,458	8,787,458	539,495
Support services	4,334,010	55,299	4,389,309	4,792,314	4,792,314	403,005
Non-instructional programs	25,399	602,715	628,114	614,224	673,092	44,978
Other expenditures	2,191,072	-	2,191,072	4,391,662	4,421,229	2,230,157
Total expenditures	14,798,444	658,014	15,456,458	18,585,658	18,674,093	3,217,635
Excess (deficiency) of revenues over (under) expenditures	67,423	(14,497)	52,926	(3,536,142)	(3,624,577)	3,677,503
Other financing sources, net	21,455	-	21,455	2,505,000	2,505,000	(2,483,545)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	88,878	(14,497)	74,381	(1,031,142)	(1,119,577)	1,193,958
Balance beginning of year	3,469,698	87,854	3,557,552	2,439,933	2,439,933	1,117,619
Balance end of year	<u>\$ 3,558,576</u>	<u>\$ 73,357</u>	<u>\$ 3,631,933</u>	<u>\$ 1,408,791</u>	<u>\$ 1,320,356</u>	<u>\$ 2,311,577</u>

Capital Assets and Debt Administration

Capital Assets

At the end of the 2007 fiscal year, the District had invested \$9,376,093, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, vehicles, technology and computers, audio-visual equipment, classroom equipment and transportation equipment. This amount represents a net increase of \$52,116 or positive 0.57 percent from last year. More detailed information about capital assets is available in the Capital Assets chart below. Total depreciation expense for the year (excluding land) was \$550,922.

Capital Assets, (net of depreciation)

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2006	2007	2006	2007	2006	2007	2006-07
Land (not being depreciated)	406,802	546,802			406,802	546,802	34.41%
Buildings	7,735,416	7,442,046			7,735,416	7,442,046	-3.79%
Improvements other than buildings	362,835	319,236			362,835	319,236	-12.02%
Furniture and Equipment	627,008	540,153	51,916	43,907	678,924	584,060	-13.97%
Construction in Progress		483,949		0	0	483,949	0.00%
Total	9,132,061	9,332,186	51,916	43,907	9,183,977	9,376,093	2.09%

Long-Term Debt

At June 30, 2007, the District had \$2,878,355 in general obligation and other long-term debt outstanding. This represents a decrease of 20.72% from last year. More detailed information about the District's long-term liabilities is available in the District's audit report Note 5 to the financial statements.

Outstanding Long-Term Obligations

	Total School District 2007	Total School District 2006	Total % Change 2006-07
Early Retirement	3,355	18,346	-81.71%
General Obligation Bonds	1,605,000	2,090,000	-23.21%
Local Option Sales and Service Tax Revenue Bonds	150,000	150,000	0.00%
Capital Lease Purchase Agreement	1,120,000	1,372,457	-18.39%
Totals	<u>2,878,355</u>	<u>3,630,803</u>	<u>-20.72%</u>

On April 1, 2002, the District issued general obligation refunding bonds of \$3,830,000 with an interest rate of 4.50% to refund the June 1, 1993 general obligation bonds with interest rates from 4.80% to 5.80%. The June 1, 1993 general obligation bonds were called and refunded on May 1, 2002.

As a result of the refunding, the District will reduce its total debt service requirements over the life of the bonds by \$124,160, which will result in a present value economic gain of \$77,445.

In 2001 the District has entered into a 28E agreement with Northeast Iowa Community College for the construction, ownership, maintenance, and administration of a school building to be used jointly by the District and the College. At the end of five years, the College has the opportunity to acquire the project outright from the District for 100% of the remaining Debt Service plus the appraisal value of the real estate in the amount of \$105,000, subject to a 2% per annum escalation. If the College does not exercise their purchase option, the District has the option to purchase the facility for \$1 at the end of the ten years.

The District also has outstanding long term obligations payable from local option sales and tax revenue bonds, physical plant and equipment fund, and capital project funds as of June 30, 2007.

Factors Bearing on the District's Future

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 near future.

- Revenue received by the State of Iowa continues to be less than original projections. For fiscal year 2008 budget, state aid will fund 73% of the \$5,456 the District spends per student. Any reduction in state aid would adversely impact the District's ability to fund program and services at current levels.
- House File 729 IPERS (Iowa Public Employees' Retirement System) increased contributions for regular members by one-half percentage point a year for four years, beginning July 1, 2007 (fiscal year 2008). In year one, the district will pay roughly 60 percent of the total contribution. Employees will continue to pay 40% (3.90%) and the employer's share increases from 6.05% to 6.30% effective July 1, 2008.
- The District experienced a decrease of 13 students in enrollment in October 2007, and projections point to a decline in enrollment for fiscal year 2008-09 because of a large graduating class. Future enrollment stability is a critical element in maintaining a sound financial foundation. The District has reserves to handle a short-term dip in revenue. However, once the decline reaches a certain level the Board of Education will be faced with the challenge of reducing staff and/or programs or closing buildings to maintain a positive solvent position.
- In 2004 the District discontinued its transportation vehicle replacement program of two buses every year at an approximate cost of \$124,912 from the General Fund. In 2007, the district purchased one replacement bus (\$62,456), one 2006 van (\$14,150.00) and one 1999 truck (\$11,582.50) from the physical plant and equipment fund which generated approximately \$114,903 for building maintenance and equipment. The district has ordered one replacement bus at a cost of \$80,700 for 2008.
- The District negotiated a one year contract with the Howard-Winneshiek Education Association (HWEA) effective July 1, 2007 through June 30, 2008; the Howard-Winneshiek Clerical Association for two years beginning July 1, 2007, and ending June 30, 2009. The AFSCME/Council 61 (Howard-Winneshiek Bus Drivers) contract beginning July 1, 2006 ending June 30, 2008 is currently in negotiations for 2009. Salaries and benefits have historically accounted for 77% to 80% of each years general fund budget.
- The school enterprise (food service program) revenues have not been able to sustain continuing increases in food costs. An increase in Breakfast and lunch ticket prices may be necessary to avoid general fund dollars subsidizing the program.
- In May, 2003, the patrons of the District approved a Howard County 1 cent local sales and services tax for school infrastructure projects which includes the payment or retirement of bonds previously issued for school infrastructure. The Board of Education voted to use \$300,000 of the proceeds for debt service tax levy reduction in 2008.
- The Cresco early childhood development center construction project will be completed in the spring of 2008 with general fund revenues used to support the operation of the 20,815 square foot facility.

- The Board accepted a community facility grant from USDA Rural Development in the amount of \$50,000 to build an addition to the Elma Elementary School for an early childhood center and age-appropriate playground. In addition, the Board approved school district funding in the amount of \$200,000 (local option sales tax revenue) with plans to be operational in the fall of 2008.
- The District received notification from the Iowa Association of School Boards property insurance policy provider (Employer's Mutual Insurance Company) asking the District to submit a plan for repairing the high school building roof. The local option sales and service tax will need to be used to fund this major repair.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Janet Kreitzer, District Secretary/Treasurer and Business Manager, Howard-Winneshiek Community School District, 1000 Schroder Drive, Cresco, IA 52136

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Basic Financial Statements

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 4,851,390	\$ 34,408	\$ 4,885,798
Receivables:			
Property tax:			
Current year	92,748	-	92,748
Succeeding year	4,638,000	-	4,638,000
Income surtax	633,025	-	633,025
Accrued interest	2,475	-	2,475
Accounts	7,461	3,891	11,352
Due from other governments	384,976	6,399	391,375
Inventories	-	24,554	24,554
Capital assets, net of accumulated depreciation (note 4)	9,332,186	43,907	9,376,093
Total assets	19,942,261	113,159	20,055,420
Liabilities			
Accounts payable	583,909	107	584,016
Salaries and benefits payable	1,186,717	36,950	1,223,667
Accrued interest payable	16,736	-	16,736
Deferred revenue:			
Succeeding year property tax	4,638,000	-	4,638,000
Other	4,082	2,745	6,827
Early retirement payable	5,766	-	5,766
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	3,355	-	3,355
Bonds payable	545,000	-	545,000
Capital lease purchase agreement	215,000	-	215,000
Portion due after one year:			
Bonds payable	1,210,000	-	1,210,000
Capital lease purchase agreement	905,000	-	905,000
Total liabilities	9,313,565	39,802	9,353,367

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 6,457,186	\$ 43,907	\$ 6,501,093
Restricted for:			
Management levy	273,436	-	273,436
Physical plant and equipment levy	434,603	-	434,603
Other special revenue purposes	354,143	-	354,143
Debt service	25,780	-	25,780
Capital projects	1,027,016	-	1,027,016
Local option sales and services tax revenue bonds	15,000	-	15,000
State grants	13,998	-	13,998
Unrestricted	<u>2,027,534</u>	<u>29,450</u>	<u>2,056,984</u>
Total net assets	<u>\$ 10,628,696</u>	<u>\$ 73,357</u>	<u>\$ 10,702,053</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:	\$ 8,281,629	\$ 593,853	\$ 1,140,759	\$ -
Support services:				
Student services	484,839	108,065	27,118	-
Instructional staff services	604,306	-	6,500	-
Administration services	1,302,108	-	-	-
Operation and maintenance of plant services	1,181,613	4,275	-	-
Transportation services	816,842	22,358	54,548	-
	<u>4,389,708</u>	<u>134,698</u>	<u>88,166</u>	<u>-</u>
Non-instructional programs	<u>25,399</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	311,329	-	-	322,727
Long-term debt interest and fiscal charges	150,070	-	-	-
AEA flowthrough	485,091	-	485,091	-
Depreciation (unallocated) *	336,969	-	-	-
	<u>1,283,459</u>	<u>-</u>	<u>485,091</u>	<u>322,727</u>
Total governmental activities	<u>13,980,195</u>	<u>728,551</u>	<u>1,714,016</u>	<u>322,727</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (6,547,017)	\$ -	\$ (6,547,017)
(349,656)	-	(349,656)
(597,806)	-	(597,806)
(1,302,108)	-	(1,302,108)
(1,177,338)	-	(1,177,338)
(739,936)	-	(739,936)
(4,166,844)	-	(4,166,844)
(25,399)	-	(25,399)
11,398	-	11,398
(150,070)	-	(150,070)
-	-	-
(336,969)	-	(336,969)
(475,641)	-	(475,641)
(11,214,901)	-	(11,214,901)

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Support services:				
Student services	\$ 20,297	\$ -	\$ -	-
Administration services	31,105	-	-	-
Operation and maintenance of plant services	3,897	-	-	-
	<u>55,299</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs:				
Food service operations	601,972	352,479	247,149	-
Childcare operations	743	20,037	22,412	-
	<u>602,715</u>	<u>372,516</u>	<u>269,561</u>	<u>-</u>
Total business-type activities	<u>658,014</u>	<u>372,516</u>	<u>269,561</u>	<u>-</u>
Total	<u>\$ 14,638,209</u>	<u>\$ 1,101,067</u>	<u>\$ 1,983,577</u>	<u>\$ 322,727</u>

General Revenues:

Property tax levied for:

 General purposes

 Debt service

 Capital outlay

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ -	\$ (20,297)	\$ (20,297)
-	(31,105)	(31,105)
-	(3,897)	(3,897)
-	(55,299)	(55,299)
-	(2,344)	(2,344)
-	41,706	41,706
-	39,362	39,362
-	(15,937)	(15,937)
(11,214,901)	(15,937)	(11,230,838)
\$ 4,456,845	\$ -	\$ 4,456,845
275,088	-	275,088
121,028	-	121,028
677,384	-	677,384
893,929	-	893,929
5,503,935	-	5,503,935
216,271	1,440	217,711
159,453	-	159,453
12,303,933	1,440	12,305,373
1,089,032	(14,497)	1,074,535
9,539,664	87,854	9,627,518
\$ 10,628,696	\$ 73,357	\$ 10,702,053

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and pooled investments	\$ 2,792,344	\$ 1,120,812	\$ 938,234	\$ 4,851,390
Receivables:				
Property tax:				
Current year	79,401	-	13,347	92,748
Succeeding year	3,952,000	-	686,000	4,638,000
Income surtax	389,554	-	243,471	633,025
Accrued interest	-	-	2,475	2,475
Accounts	7,008	-	453	7,461
Due from other governments	176,993	207,983	-	384,976
Total assets	\$ 7,397,300	\$ 1,328,795	\$ 1,883,980	\$ 10,610,075
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 212,969	\$ 286,196	\$ 84,744	\$ 583,909
Salaries and benefits payable	1,186,717	-	-	1,186,717
Deferred revenue:				
Succeeding year property tax	3,952,000	-	686,000	4,638,000
Other	393,636	-	243,471	637,107
Early retirement payable (note 5)	-	-	5,766	5,766
Total liabilities	5,745,322	286,196	1,019,981	7,051,499
Fund balance:				
Reserved for:				
State grants	13,998	-	-	13,998
Debt service	-	-	37,818	37,818
Local option sales and services tax revenue bonds	-	15,000	-	15,000
Unreserved:				
Reported in nonmajor Special Revenue Funds	-	-	826,181	826,181
Undesignated	1,637,980	1,027,599	-	2,665,579
Total fund balances	1,651,978	1,042,599	863,999	3,558,576
Total liabilities and fund balances	\$ 7,397,300	\$ 1,328,795	\$ 1,883,980	\$ 10,610,075

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2007

Total fund balances of governmental funds	\$ 3,558,576
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.	9,332,186
Other long-term assets, including income surtax receivables, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	633,025
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(16,736)
Long-term liabilities, including bonds payable, early retirement payable, and capital lease purchase agreements, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,878,355)</u>
Net assets of governmental activities	<u>\$ 10,628,696</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	General	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 4,544,513	\$ 893,929	\$ 940,472	\$ 6,378,914
Tuition	247,706	-	-	247,706
Other	271,116	71,967	416,731	759,814
State sources	6,680,792	-	487	6,681,279
Federal sources	635,427	162,727	-	798,154
Total revenues	<u>12,379,554</u>	<u>1,128,623</u>	<u>1,357,690</u>	<u>14,865,867</u>
Expenditures:				
Current:				
Instruction	7,860,419	-	387,544	8,247,963
Support services:				
Student services	484,839	-	-	484,839
Instructional staff services	604,306	-	-	604,306
Administration services	1,274,419	8,152	8,149	1,290,720
Operation and maintenance of plant services	1,061,550	-	109,415	1,170,965
Transportation services	635,373	-	147,807	783,180
	<u>4,060,487</u>	<u>8,152</u>	<u>265,371</u>	<u>4,334,010</u>
Non-instructional programs	10,018	-	15,381	25,399
Other expenditures:				
Facilities acquisition	-	710,209	102,569	812,778
Long term debt:				
Principal	-	-	737,457	737,457
Interest and fiscal charges	-	-	155,746	155,746
AEA flowthrough	485,091	-	-	485,091
	<u>485,091</u>	<u>710,209</u>	<u>995,772</u>	<u>2,191,072</u>
Total expenditures	<u>12,416,015</u>	<u>718,361</u>	<u>1,664,068</u>	<u>14,798,444</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,461)</u>	<u>410,262</u>	<u>(306,378)</u>	<u>67,423</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources (uses):				
Sale of equipment	\$ 5,705	\$ -	\$ -	\$ 5,705
Compensation for loss of capital assets	-	-	15,750	15,750
Interfund transfers in	-	-	618,753	618,753
Interfund transfers out	-	(307,000)	(311,753)	(618,753)
Total other financing sources (uses)	<u>5,705</u>	<u>(307,000)</u>	<u>322,750</u>	<u>21,455</u>
Net change in fund balances	(30,756)	103,262	16,372	88,878
Fund balances beginning of year	<u>1,682,734</u>	<u>939,337</u>	<u>847,627</u>	<u>3,469,698</u>
Fund balances end of year	<u>\$ 1,651,978</u>	<u>\$ 1,042,599</u>	<u>\$ 863,999</u>	<u>\$ 3,558,576</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ 88,878

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

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

Expenditures for capital assets	\$ 603,038	
Contribution of capital assets	140,000	
Depreciation expense	<u>(542,913)</u>	200,125

Income surtax revenue not received until several months after the District's
fiscal year ends is not considered available revenue in the governmental
funds and is deferred. It is, however, recorded as revenue in the
Statement of Activities. 41,905

Repayment of long-term liabilities is an expenditure in the governmental
funds, but it reduces long-term liabilities in the Statement of Net Assets. 737,457

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. 5,676

Some expenses reported in the Statement of Activities, including early
retirement, do not require the use of current financial resources and,
therefore, are not reported as expenditures in governmental funds. 14,991

Change in net assets of governmental activities \$ 1,089,032

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	Enterprise			Internal Service - Flexible Benefits
	School Nutrition	Nonmajor - Childcare	Total	
Assets				
Cash and cash equivalents	\$ 14,367	\$ 20,041	\$ 34,408	\$ 1,418
Accounts receivable	1,872	2,019	3,891	3,335
Due from other governments	5,417	982	6,399	-
Inventories	24,554	-	24,554	-
Capital assets, net of accumulated depreciation	43,907	-	43,907	-
Total assets	<u>90,117</u>	<u>23,042</u>	<u>113,159</u>	<u>4,753</u>
Liabilities				
Accounts payable	-	107	107	-
Salaries and benefits payable	36,170	780	36,950	-
Deferred revenue	2,745	-	2,745	-
Total liabilities	<u>38,915</u>	<u>887</u>	<u>39,802</u>	<u>-</u>
Net Assets				
Invested in capital assets	43,907	-	43,907	-
Unrestricted	<u>7,295</u>	<u>22,155</u>	<u>29,450</u>	<u>4,753</u>
Total net assets	<u>\$ 51,202</u>	<u>\$ 22,155</u>	<u>\$ 73,357</u>	<u>\$ 4,753</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	Enterprise			Internal Service - Flexible Benefits
	School Nutrition	Nonmajor - Childcare	Total	
Operating revenues:				
Local sources:				
Charges for services	\$ 352,479	\$ 20,037	\$ 372,516	\$ 64,143
Operating expenses:				
Support services:				
Student services	-	20,297	20,297	-
Administration services	31,105	-	31,105	-
Operation and maintenance of plant services	3,897	-	3,897	-
Non-instructional programs	601,972	743	602,715	64,205
	636,974	21,040	658,014	64,205
Operating loss	(284,495)	(1,003)	(285,498)	(62)
Non-operating revenues:				
Interest on investments	694	746	1,440	201
Contributions	-	20,924	20,924	-
State sources	7,220	-	7,220	-
Federal sources	239,929	1,488	241,417	-
Total non-operating revenues	247,843	23,158	271,001	201
Change in net assets	(36,652)	22,155	(14,497)	139
Net assets beginning of year	87,854	-	87,854	4,614
Net assets end of year	\$ 51,202	\$ 22,155	\$ 73,357	\$ 4,753

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	Enterprise			Internal Service - Flexible Benefits
	School Nutrition	Nonmajor - Childcare	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 336,038	\$ -	\$ 336,038	\$ -
Cash received from miscellaneous operating activities	17,314	20,018	37,332	60,808
Cash payments to employees for services	(300,997)	(17,820)	(318,817)	-
Cash payments to suppliers for goods or services	(285,867)	(2,333)	(288,200)	(64,205)
Net cash used by operating activities	<u>(233,512)</u>	<u>(135)</u>	<u>(233,647)</u>	<u>(3,397)</u>
Cash flows from non-capital financing activities:				
Contributions received	-	18,924	18,924	-
State grants received	7,220	-	7,220	-
Federal grants received	209,480	506	209,986	-
Net cash provided by non-capital financing activities	<u>216,700</u>	<u>19,430</u>	<u>236,130</u>	<u>-</u>
Cash flows from investing activities:				
Interest on investments	694	746	1,440	201
Net increase (decrease) in cash and cash equivalents	(16,118)	20,041	3,923	(3,196)
Cash and cash equivalents beginning of year	<u>30,485</u>	<u>-</u>	<u>30,485</u>	<u>4,614</u>
Cash and cash equivalents end of year	<u>\$ 14,367</u>	<u>\$ 20,041</u>	<u>\$ 34,408</u>	<u>\$ 1,418</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	Enterprise			Internal Service - Flexible Benefits
	School Nutrition	Nonmajor - Childcare	Total	
Reconciliation of operating loss to net cash used used by operating activities:				
Operating loss	\$ (284,495)	\$ (1,003)	\$ (285,498)	\$ (62)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	8,009	-	8,009	-
Commodities used	29,373	-	29,373	-
(Increase) in accounts receivable	(1,872)	(19)	(1,891)	(3,335)
Decrease in inventories	14,100	-	14,100	-
Increase (decrease) in accounts payable	(23)	107	84	-
Increase (decrease) in salaries and benefits payable	(1,349)	780	(569)	-
Increase in deferred revenue	2,745	-	2,745	-
Net cash used by operating activities	<u>\$ (233,512)</u>	<u>\$ (135)</u>	<u>\$ (233,647)</u>	<u>\$ (3,397)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$29,373 of federal commodities.

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2007

	<u>Agency</u>
Assets:	
Cash and pooled investments	\$ <u>7,400</u>
Liabilities:	
Other payables	<u>7,400</u>
Net assets	\$ <u><u>-</u></u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies

Howard-Winneshiek Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Cresco, Iowa, portions of the Cities of Ridgeway, Lime Springs, and Elma, Iowa, and agricultural territory in Howard and Winneshiek Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Howard-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. Howard-Winneshiek Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but 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 Howard and Winneshiek County Assessor's Conference Boards.

B. Basis of Presentation

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

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

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

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

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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 enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating 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.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2007 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

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

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

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund 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. 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	\$ -
Buildings	25,000
Improvements other than buildings	25,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings	15-50 years
Improvements other than buildings	8-15 years
Furniture and equipment	3-20 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 in the governmental funds consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets for governmental activities consists of unspent grant proceeds and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred revenue for proprietary funds and business-type activities consists of unearned meal revenues.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2007.

Long-term Liabilities – 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.

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

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

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

E. Budgets and Budgetary Control

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

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 2. Cash and Pooled Investments (continued)

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>5</u>

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

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody’s Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 307,000
	Special Revenue:	
	Physical Plant and Equipment Levy	<u>311,753</u>
Total		<u>\$ 618,753</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 406,802	\$ 140,000	\$ -	\$ 546,802
Construction in progress	-	483,949	-	483,949
Total capital assets not being depreciated	<u>406,802</u>	<u>623,949</u>	<u>-</u>	<u>1,030,751</u>
Capital assets being depreciated:				
Buildings	12,338,369	-	-	12,338,369
Improvements other than buildings	551,722	-	-	551,722
Furniture and equipment	2,514,395	119,089	59,975	2,573,509
Total capital assets being depreciated	<u>15,404,486</u>	<u>119,089</u>	<u>59,975</u>	<u>15,463,600</u>
Less accumulated depreciation for:				
Buildings	4,602,953	293,370	-	4,896,323
Improvements other than buildings	188,887	43,599	-	232,486
Furniture and equipment	1,887,387	205,944	59,975	2,033,356
Total accumulated depreciation	<u>6,679,227</u>	<u>542,913</u>	<u>59,975</u>	<u>7,162,165</u>
Total capital assets being depreciated, net	<u>8,725,259</u>	<u>(423,824)</u>	<u>-</u>	<u>8,301,435</u>
Governmental activities capital assets, net	<u>\$ 9,132,061</u>	<u>\$ 200,125</u>	<u>\$ -</u>	<u>\$ 9,332,186</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 333,095	\$ -	\$ 915	\$ 332,180
Less accumulated depreciation	281,179	8,009	915	288,273
Business-type activities capital assets, net	<u>\$ 51,916</u>	<u>\$ (8,009)</u>	<u>\$ -</u>	<u>\$ 43,907</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:	
Instruction	\$ 48,657
Support services:	
Administration	11,388
Operation and maintenance of plant services	10,648
Transportation	<u>135,251</u>
	205,944
Unallocated depreciation	<u>336,969</u>
Total governmental activities depreciation expense	<u>\$ 542,913</u>
Business-type activities:	
Food service operations	<u>\$ 8,009</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Early Retirement	General Obligation Bonds	Local Option Sales and Services Tax Revenue Bonds	Capital Lease Purchase Agreement	Installment Purchase Agreement	Total
Balance beginning of year	\$ 18,346	\$ 2,090,000	\$ 150,000	\$ 1,330,000	\$ 42,457	\$ 3,630,803
Additions	-	-	-	-	-	-
Reductions	14,991	485,000	-	210,000	42,457	752,448
Balance end of year	<u>\$ 3,355</u>	<u>\$ 1,605,000</u>	<u>\$ 150,000</u>	<u>\$ 1,120,000</u>	<u>\$ -</u>	<u>\$ 2,878,355</u>
Due within one year	<u>\$ 3,355</u>	<u>\$ 515,000</u>	<u>\$ 30,000</u>	<u>\$ 215,000</u>	<u>\$ -</u>	<u>\$ 763,355</u>

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must have completed fifteen years of service to the District. The District did not offer an early retirement plan for the year ended June 30, 2007.

The early retirement incentive for each eligible employee is equal to 35% (Administrator) or 45% (Teacher) of the difference between the BA base salary and the employee's position on the salary schedule in the last year of employment or 25% (Support Staff) of the employee's base salary during the last year of employment. The employee has the option of receiving a one-time cash benefit in July of the year following retirement, receiving the sum in three equal payments in July of each of the three ensuing years following retirement, or receiving the benefit over monthly installments for a maximum of three years following retirement.

At June 30, 2007, the District has obligations to five participants with a total liability of \$9,121. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$18,250. The cost of early retirement payments expected to be liquidated currently is recorded as a liability of the Special Revenue, Management Levy Fund in the fund financial statements and as a liability of the Governmental Activities in the District-wide financial statements. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 5. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	4.50 %	\$ 515,000	\$ 66,488	\$ 581,488
2009	4.50	535,000	43,088	578,088
2010	4.50	555,000	18,788	573,788
		<u>\$ 1,605,000</u>	<u>\$ 128,364</u>	<u>\$ 1,733,364</u>

During the year ended June 30, 2007, the District retired \$485,000 of general obligation bonds.

Local Option Sales and Services Tax Revenue Bonds

Details of the District's June 30, 2007 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	5.00 %	\$ 30,000	\$ 7,000	\$ 37,000
2009	5.00	40,000	5,500	45,500
2010	4.30	40,000	3,500	43,500
2011	4.45	40,000	1,780	41,780
		<u>\$ 150,000</u>	<u>\$ 17,780</u>	<u>\$ 167,780</u>

The local option sales and services tax revenue bonds were issued for school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District in accordance with Chapter 422B.12 of the Code of Iowa. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the local option sales and services tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- (b) A reserve will be maintained in the amount of \$15,000 to be used solely for the purpose of paying principal and interest in the event the local option sales and services tax revenues are not sufficient for that purpose.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 5. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement

The District has entered into a 28E agreement with Northeast Iowa Community College for the construction, ownership, operation, maintenance, and administration of a school building to be used jointly by the District and the College. The College is responsible for construction, debt, and normal operating costs of the building. The District is responsible for capital improvements. In September 2001, the District finalized a ten year lease purchase agreement with the College for use of the facilities. The College will also be paying the District \$30,000 in rent each year. At the end of five years, the College has the opportunity to acquire the project outright from the District for 100% of the remaining Debt Service plus the appraisal value of the real estate in the amount of \$105,000, subject to a 2% per annum escalation. If the College does not exercise their purchase option, the District has the option to purchase the facility for \$1 at the end of the ten years.

Details of the District's June 30, 2007 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	4.20 %	\$ 215,000	\$ 49,382	\$ 264,382
2009	4.35	225,000	40,352	265,352
2010	4.40	235,000	30,565	265,565
2011	4.50	245,000	20,226	265,226
2012	4.60	200,000	9,200	209,200
		<u>\$ 1,120,000</u>	<u>\$ 149,725</u>	<u>\$ 1,269,725</u>

During the year ended June 30, 2007, the District paid \$210,000 on the capital lease purchase agreement.

Note 6. Operating Lease

The District is obligated under a copier equipment lease accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations and, therefore, are not reflected on the District's Statement of Net Assets. The agreement provides for monthly lease payments of \$3,454 during the term of the lease.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 6. Operating Lease (continued)

The total lease payments under the lease agreement are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2008	\$ 37,988
2009	41,442
2010	41,442
2011	41,442
2012	<u>6,907</u>
	<u>\$ 169,221</u>

Total payments under the lease agreement for the year ended June 30, 2007 were \$44,896.

Note 7. 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, 2007, 2006, and 2005.

Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$415,197, \$403,761, and \$391,532, respectively, equal to the required contributions for each year.

Note 8. Risk Management

Howard-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.

Self Insurance –

Health – Effective September 1, 1998 four school districts adopted a resolution to establish a 28E organization to provide an insurance plan for employee medical coverage. Since inception, five new school districts have been added to the trust for a total of nine districts currently participating in the plan. The Districts contribute to the self-insurance plan an amount equal to 125% of regular insurance coverage. The fund re-insures for stop-loss insurance for claims in excess of \$90,000 per year per individual. An insurance claims carrier is paid an administrative fee to process the claims.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 8. Risk Management (continued)

Self Insurance (continued) –

Dental – The District has dental coverage insurance under this 28E organization for employee dental coverage. The District contributes to the self-insurance. Professional services through the plan for the participants are limited to a combined maximum payment of \$500 per member per benefits period.

The District paid \$1,753,048 in premiums to fund the plan July 1, 2006 to June 30, 2007. The total premiums paid into the plan by all nine Districts and retirees for the same period was \$11,644,727. The 28E organization's balance sheet as of June 30, 2007 is as follows:

Assets

Funds on hand	\$ <u>5,034,242</u>
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Liabilities and Fund Equity

Reserve for incurred but not reported claims and reported claims not yet paid	\$ 1,905,816
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Undesignated funds	<u>3,128,426</u>
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	\$ <u>5,034,242</u>
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Note 9. 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 \$485,091 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitments

The District entered into various contracts totaling \$2,313,488 for construction of an early childhood center and renovations to an elementary school. As of June 30, 2007, costs of \$328,212 had been incurred against the contracts. The balance of \$1,985,276 remaining at June 30, 2007 will be paid as work on the projects progresses.

Note 11. Subsequent Events

On August 1, 2007, the District issued \$1,765,000 in local option sales and services tax revenue bonds. Proceeds from the issuance are to be used to construct, furnish, and equip the childcare center. The revenue bonds principal will be paid over five years starting in the year ending June 30, 2010. Interest will be paid at rates ranging from 4.25% to 4.30%.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 11. Subsequent Events (continued)

On August 27, 2007, the District issued \$360,000 in interest-free local option sales and services tax revenue bonds. Proceeds from the issuance are to be used to construct, furnish, and equip the childcare center. The revenue bonds will be paid monthly over two years.

Required Supplementary Information

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances –
 Budget and Actual – All Governmental Funds
 and Proprietary Funds
 Required Supplementary Information
 Year Ended June 30, 2007

	Governmental Funds - Actual	Proprietary Funds - Enterprise - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 7,386,434	\$ 394,880	\$ 7,781,314	\$ 7,442,393	\$ 7,442,393	\$ 338,921
State sources	6,681,279	7,220	6,688,499	6,669,239	6,669,239	19,260
Federal sources	798,154	241,417	1,039,571	937,884	937,884	101,687
Total revenues	14,865,867	643,517	15,509,384	15,049,516	15,049,516	459,868
EXPENDITURES:						
Instruction	8,247,963	-	8,247,963	8,787,458	8,787,458	539,495
Support services	4,334,010	55,299	4,389,309	4,792,314	4,792,314	403,005
Non-instructional programs	25,399	602,715	628,114	614,224	673,092	44,978
Other expenditures	2,191,072	-	2,191,072	4,391,662	4,421,229	2,230,157
Total expenditures	14,798,444	658,014	15,456,458	18,585,658	18,674,093	3,217,635
Excess (deficiency) of revenues over (under) expenditures	67,423	(14,497)	52,926	(3,536,142)	(3,624,577)	3,677,503
Other financing sources, net	21,455	-	21,455	2,505,000	2,505,000	(2,483,545)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	88,878	(14,497)	74,381	(1,031,142)	(1,119,577)	1,193,958
Balance beginning of year	3,469,698	87,854	3,557,552	2,439,933	2,439,933	1,117,619
Balance end of year	<u>\$ 3,558,576</u>	<u>\$ 73,357</u>	<u>\$ 3,631,933</u>	<u>\$ 1,408,791</u>	<u>\$ 1,320,356</u>	<u>\$ 2,311,577</u>

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary 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 except internal service and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

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 function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$88,435.

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Other Supplementary Information

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Assets					
Cash and pooled investments	\$ 276,817	\$ 364,471	\$ 264,408	\$ 32,538	\$ 938,234
Receivables:					
Property tax:					
Current year	5,744	-	2,323	5,280	13,347
Succeeding year	316,000	-	115,000	255,000	686,000
Income surtax	-	-	243,471	-	243,471
Accrued interest	-	2,475	-	-	2,475
Accounts	-	453	-	-	453
Total assets	\$ <u>598,561</u>	\$ <u>367,399</u>	\$ <u>625,202</u>	\$ <u>292,818</u>	\$ <u>1,883,980</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ 4	\$ 13,256	\$ 71,484	\$ -	\$ 84,744
Deferred revenue:					
Succeeding year property tax	316,000	-	115,000	255,000	686,000
Other	-	-	243,471	-	243,471
Early retirement payable	5,766	-	-	-	5,766
Total liabilities	321,770	13,256	429,955	255,000	1,019,981
Fund equity:					
Fund balances:					
Reserved for:					
Debt service	-	-	-	37,818	37,818
Unreserved:					
Undesignated	276,791	354,143	195,247	-	826,181
Total fund equity	276,791	354,143	195,247	37,818	863,999
Total liabilities and fund equity	\$ <u>598,561</u>	\$ <u>367,399</u>	\$ <u>625,202</u>	\$ <u>292,818</u>	\$ <u>1,883,980</u>

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 300,224	\$ -	\$ 365,350	\$ 274,898	\$ 940,472
Other	35,479	331,860	47,978	1,414	416,731
State sources	214	-	83	190	487
Total revenues	335,917	331,860	413,411	276,502	1,357,690
Expenditures:					
Current:					
Instruction	56,509	331,035	-	-	387,544
Support services:					
Administration services	8,149	-	-	-	8,149
Operation and maintenance of plant services	109,415	-	-	-	109,415
Transportation services	46,219	-	101,588	-	147,807
Non instructional programs	15,381	-	-	-	15,381
Other expenditures:					
Facilities acquisition	-	-	102,569	-	102,569
Long term debt:					
Principal	-	-	-	737,457	737,457
Interest and fiscal charges	-	-	-	155,746	155,746
Total expenditures	235,673	331,035	204,157	893,203	1,664,068
Excess (deficiency) of revenues over (under) expenditures	100,244	825	209,254	(616,701)	(306,378)
Other financing sources (uses):					
Compensation for loss of capital asset	-	-	15,750	-	15,750
Interfund transfers in	-	-	-	618,753	618,753
Interfund transfers out	-	-	(311,753)	-	(311,753)
Total other financing sources (uses)	-	-	(296,003)	618,753	322,750

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2007

	<u>Special Revenue</u>				<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	
Net change in fund balances	\$ 100,244	\$ 825	\$ (86,749)	\$ 2,052	\$ 16,372
Fund balances beginning of year	176,547	353,318	281,996	35,766	847,627
Fund balances end of year	<u>\$ 276,791</u>	<u>\$ 354,143</u>	<u>\$ 195,247</u>	<u>\$ 37,818</u>	<u>\$ 863,999</u>

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 16,252	\$ 99,674	\$ 119,565	\$ (3,639)
Business Club	245	-	-	245
Class of 2007	892	2,464	3,111	245
Class of 2008	1,160	760	1,288	632
Class of 2009	479	569	-	1,048
Class of 2010	-	585	5	580
Concessions	329	6,050	6,379	-
Crest Newspaper	2,480	113	109	2,484
Crestwood Elementary Activity	29,594	47,445	47,834	29,205
Electric Blue	131	1,835	1,639	327
Elma Elementary	7,503	6,388	3,882	10,009
Future Farmers of America - FFA	91,381	34,758	32,646	93,493
High School Cheerleaders	2,017	2,572	2,674	1,915
High School Drama	8,153	5,713	4,889	8,977
High School Student Clubs	235	-	-	235
High School Student Council	8,330	10,100	10,019	8,411
Horticulture Club	1,072	633	-	1,705
Instrumental Music	2,691	5,562	3,158	5,095
Junior High Drama	1,173	874	451	1,596
Junior High Music	4,940	12,388	9,629	7,699
Junior High Student Council	4,916	13,427	17,084	1,259
Middle School Cheerleaders	85	1,521	563	1,043
Language Club	277	-	-	277
Lime Springs Elementary	13,903	6,485	4,991	15,397
Magazine Sales	2,499	9,850	6,620	5,729
National Honor Society	1,492	-	-	1,492
Picture Money	534	281	-	815
Ridgeway Elementary Student Council	4,942	14,743	14,444	5,241
Robe Fund	6,751	-	-	6,751
Unallocated Interest Income	104,463	10,744	3,446	111,761
Vocal Music	24,366	15,934	13,256	27,044
Yearbook	3,852	18,038	21,720	170
SADD	1,249	1,558	1,558	1,249
Honor Roll	4,932	796	75	5,653
Total	\$ 353,318	\$ 331,860	\$ 331,035	\$ 354,143

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2007

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ <u>6,347</u>	\$ <u>4,706</u>	\$ <u>3,653</u>	\$ <u>7,400</u>
Liabilities				
Other payables	\$ <u>6,347</u>	\$ <u>4,706</u>	\$ <u>3,653</u>	\$ <u>7,400</u>

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 6,378,914	\$ 6,087,320	\$ 5,996,093	\$ 5,711,414
Tuition	247,706	184,356	198,164	150,482
Other	759,814	700,910	704,802	454,954
State sources	6,681,279	6,544,167	6,488,279	5,791,465
Federal sources	798,154	627,384	834,432	856,993
Total revenues	\$ 14,865,867	\$ 14,144,137	\$ 14,221,770	\$ 12,965,308
Expenditures:				
Instruction	\$ 8,247,963	\$ 8,031,145	\$ 7,657,561	\$ 7,635,146
Support services:				
Student services	484,839	467,585	621,567	989,784
Instructional staff services	604,306	503,050	560,822	370,730
Administration services	1,290,720	1,191,906	1,180,804	1,140,979
Operation and maintenance of plant services	1,170,965	1,142,621	1,138,546	1,001,506
Transportation services	783,180	781,515	710,992	681,324
Non-instructional programs	25,399	16,509	20,168	19,380
Other expenditures:				
Facilities acquisition	812,778	235,986	604,332	18,747
Long-term debt:				
Principal	737,457	625,472	703,001	781,826
Interest and fiscal charges	155,746	180,759	209,629	237,863
AEA flowthrough	485,091	467,927	466,256	457,337
Total expenditures	\$ 14,798,444	\$ 13,644,475	\$ 13,873,678	\$ 13,334,622

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Agriculture:			
Team Nutrition Grants	10.574	FY 07	\$ <u>1,382</u>
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY 07	<u>29,373</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 07	25,477
National School Lunch Program	10.555	FY 07	175,882
Summer Food Service Program for Children	10.559	FY 07	<u>8,797</u>
			<u>210,156</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	3029G FY 06	12,190
Title 1 Grants to Local Educational Agencies	84.010	3029GC	20,360
Title 1 Grants to Local Educational Agencies	84.010	3029G FY 07	<u>161,626</u>
			<u>194,176</u>
Improving Teacher Quality State Grants	84.367	FY 07	<u>73,647</u>
Grants for State Assessments and Related Activities	84.369	FY 07	<u>9,618</u>
State Grants for Innovative Programs	84.298	FY 07	<u>1,806</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 07	<u>5,119</u>
Charter Schools	84.282	FY 06	34,479
Charter Schools	84.282	FY 07	<u>175,000</u>
			<u>209,479</u>
Keystone Area Education Agency:			
Special Education - Grants to States	84.027	FY 07	<u>78,517</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect (continued):			
U. S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
City of Cresco:			
Community Development Block Grants/Entitlement Grants	14.218	FY 07	\$ <u>117,727</u>
Total			\$ <u><u>931,000</u></u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Howard-Winneshiek Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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

To the Board of Education of
Howard-Winneshiek Community School District:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Howard-Winneshiek Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 4, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Howard-Winneshiek Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Howard-Winneshiek Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Howard-Winneshiek Community School District's internal control over financial reporting.

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-07 and II-B-07 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Howard-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 immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Howard-Winneshiek Community School District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Howard-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.

Oskaloosa, Iowa
December 4, 2007

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the Board of Education of
Howard-Winneshiek Community School District:

Compliance

We have audited the compliance of Howard-Winneshiek Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Howard-Winneshiek Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Howard-Winneshiek Community School District's management. Our responsibility is to express an opinion on Howard-Winneshiek Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Howard-Winneshiek Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Howard-Winneshiek Community School District's compliance with those requirements.

In our opinion, Howard-Winneshiek Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Howard-Winneshiek Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Howard-Winneshiek Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item III-A-07 is a material weakness.

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

Oskaloosa, Iowa
December 4, 2007

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, which was considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - CFDA Number 84.367 – Improving Teacher Quality State Grants
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.559 – Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Howard-Winneshiek Community School District did not qualify as a low-risk auditee.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

II-A-07 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits, bank reconciliations and all payroll activity are all done by the same person in the various funds.

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

Response – We feel with the limited number of office employees, it will be difficult to further segregate duties. However, we will continue to investigate alternatives as responsibilities change and implement changes whenever possible.

Conclusion – Response accepted.

II-B-07 Financial Reporting – During the audit, we identified material amounts of capital assets additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all capital assets additions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any capital asset transactions.

Conclusion – Response accepted.

II-C-07 Authorized Signatures – The bank confirmation indicated the name of a former employee who would be able to sign checks as an authorized check signer on two accounts for the Student Activity Fund.

Recommendation – The District should obtain and prepare proper authorization cards for all accounts at all banks in which the District deposits District funds.

Response – We will obtain and prepare proper authorization cards at all District financial institutions.

Conclusion – Response accepted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

Part II: Findings Related to the Basic Financial Statements (continued):

Significant Deficiencies (continued):

II-D-07 Credit Cards – We noted in our testing of District credit card usage that the District did not require a detail receipt for credit card purchases. This led to the District paying for a personal phone call and alcoholic beverages.

Recommendation – The District should require a detail receipt for all credit card purchases. The District should seek reimbursement for the personal phone call and alcoholic beverages.

Response – We will require a detail receipt for credit card purchases in the future. The personal purchases have been reimbursed to the District.

Conclusion – Response accepted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Significant Deficiency:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program and
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2007
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
Federal Award Year: 2007
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.367: Improving Teacher Quality State Grants
Federal Award Year: 2007
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-07 Segregation of Duties – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that all payroll activity is performed by the same person in the various funds.

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

Response – We feel with the limited number of office employees, it will be difficult to further segregate duties. However, we will continue to investigate available alternatives as responsibilities change and implement changes whenever possible.

Conclusion – Response accepted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

Part IV: Other Findings Related to Statutory Reporting:

IV-A-07 Certified Budget – Expenditures for the year ended June 30, 2007, did not exceed the amounts budgeted.

IV-B-07 Questionable Expenditures – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid To</u>	<u>Fund Used</u>	<u>Purpose</u>	<u>Amount</u>
Sandy’s Floral Creations	School Nutrition	Door Prizes for Meetings	\$119

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Board should determine and document the public purpose served by this type of expenditure before authorizing any further payments. If this practice is continued, the District should establish written policies and procedures, including the requirement for proper documentation.

Response – We will document this in the future.

Conclusion – Response accepted.

IV-C-07 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-07 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-07 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-07 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

IV-I-07 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.