

**NORTH WINNESHIEK  
COMMUNITY SCHOOL DISTRICT  
DECORAH, IOWA**

**FINANCIAL REPORT**

**JUNE 30, 2007**

TABLE OF CONTENTS

		<u>Page</u>
BOARD OF EDUCATION AND SCHOOL OFFICIALS		1
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS		2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)		3
BASIC FINANCIAL STATEMENTS	<u>Exhibit</u>	
District-Wide Financial Statements		
Statement of Net Assets	A	4
Statement of Activities	B	5
Governmental Fund Financial Statements		
Balance Sheet	C	6-7
Statement of Revenues, Expenditures, and Changes in Fund Balances	D	8-9
Proprietary Fund Financial Statements		
Statement of Net Assets	E	10
Statement of Revenues, Expenses, and Changes in Net Assets	F	11
Statement of Cash Flows	G	12
Notes to Financial Statements		13-25
Required Supplementary Information		
Budgetary Comparison Schedule of Receipts, Disbursements, And Changes in Balance-Budget and Actual (Cash Basis)- All Governmental Funds and Proprietary Fund		26
Notes to Required Supplementary Information-Budgetary Reporting		27
INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION		28
OTHER SUPPLEMENTARY INFORMATION	<u>Schedule</u>	
Nonmajor Governmental Funds		
Combining Balance Sheet	1	29
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	30
Nonmajor Special Revenue Funds		
Combining Balance Sheet	3	31
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	32
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	33
Comparative Schedule of Revenues and Expenditures	6	34
Schedule of Expenditures of Federal Awards	7	35
Comparison of General Fund Revenues	8	36
General Fund Revenue Analysis	9	37
Comparison of General Fund Expenditures	10	38
General Fund Expenditure Analysis	11	39
Operating Fund Financial Solvency	12	40
Spending Authority	13	41
Student Enrollment Data	14	42
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		43-45
MANAGEMENT LETTER		46-48

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION AND SCHOOL OFFICIALS

Name	Title	Address	Term Expires
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Board of Education  
(Before September 2006 Election)

Phil Richert	President	Decorah, Iowa	2006
Matt Jackson	Vice President	Decorah, Iowa	2008
Halley Sutton	Member	Decorah, Iowa	2006
Rena McIntosh	Member	Decorah, Iowa	2007
Myron Rediske	Member	Decorah, Iowa	2007

Board of Education  
(After September 2006 Election)

Phil Richert	President	Decorah, Iowa	2009
Matt Jackson	Vice President	Decorah, Iowa	2007
Halley Sutton	Member	Decorah, Iowa	2009
Rena McIntosh	Member	Decorah, Iowa	2007
Myron Rediske	Member	Decorah, Iowa	2008

School Officials

Tim Dugger – Superintendent/Principal  
Deborah Jones – District Secretary/Treasurer

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

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

[www.hackernelson.com](http://www.hackernelson.com)

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

## INDEPENDENT AUDITOR'S REPORT ON THE THE FINANCIAL STATEMENTS

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Winneshiek Community School District as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2007, on our consideration of North Winneshiek Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on page 3 and pages 26 through 27, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
November 8, 2007

**NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
DECORAH, IOWA**

**Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2007**

Management of North Winneshiek Community School District provides this Management's Discussion and Analysis of North Winneshiek Community School District's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007.

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

**FINANCIAL HIGHLIGHTS**

In total, governmental net assets decreased by \$278,743. Property taxes increased approximately \$102,749 and local option sales tax increased approximately by \$33,936. District program expenses were 9% or approximately \$319,000 more in 2007 than in 2006.

General fund revenues accounted for \$3,049,373 in revenue or 88.1% of all revenues. General fund expenditures accounted for \$3,361,735 in expenditures or 88.4% of all expenditures.

**USING THE BASIC FINANCIAL STATEMENTS**

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

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

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report North Winneshiek Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds with all other nonmajor funds presented in total in a single column. For North Winneshiek Community School District, the general fund and capital projects fund are the more significant funds. The remaining statements provide financial information about activities for which North Winneshiek Community School District acts solely as an agent or custodian for the benefit of those outside of the government.

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

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

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

## Reporting the District as a Whole

### *The Statement of Net Assets and the Statement of Activities*

The government-wide financial statements report information about the District as a whole using accounting methods similar to the accounting used by most private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

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

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

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

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

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

## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

### *Fund Financial Statements*

Fund financial reports provide more detailed information about the District's major funds. The District uses different funds in accordance with the Uniform Financial Accounting for Iowa LEA's, as required by the Iowa Department of Education, to record its financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and capital projects fund.

### **Governmental Funds**

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

The District's governmental funds include the general fund, special revenue funds, debt service fund, and capital projects fund. The governmental funds required financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

### Proprietary Funds

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

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following is a summary perspective of the statement of net assets of the District as a whole. The North Winneshiek Community School District's net assets at the end of fiscal year 2007 totaled \$1,083,435.

#### Condensed Statement of Net Assets (Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total		Percent Change
	2006	2007	2006	2007	2006	2007	
Current and other assets	\$ 2,042	\$ 2,286	\$ 6	\$ 6	\$ 2,048	\$ 2,292	11.91%
Capital assets	1,548	1,589	5	5	1,553	1,594	2.64%
<b>Total assets</b>	<b>3,590</b>	<b>3,875</b>	<b>11</b>	<b>11</b>	<b>3,601</b>	<b>3,886</b>	<b>7.91%</b>
Long-term debt outstanding	864	869	-	-	864	869	0.58%
Other liabilities	1,364	1,922	10	16	1,374	1,938	41.05%
<b>Total liabilities</b>	<b>2,228</b>	<b>2,791</b>	<b>10</b>	<b>16</b>	<b>2,238</b>	<b>2,807</b>	<b>25.42%</b>
<b>Net assets</b>							
Invested in capital assets, net of related debt	793	882	5	4	798	886	11.03%
Restricted	301	323	-	-	301	323	7.31%
Unrestricted	268	(121)	(4)	(9)	264	(130)	-149.24%
<b>Total net assets</b>	<b>\$ 1,362</b>	<b>\$ 1,084</b>	<b>\$ 1</b>	<b>\$ (5)</b>	<b>\$ 1,363</b>	<b>\$ 1,079</b>	<b>-20.84%</b>

The following analysis shows the change in net assets for the year ending June 30, 2007:

Changes in Net Assets of Governmental Activities (Expressed in Thousands)									
	Governmental Activities		Business-type Activities		Total		Percent Change		
	2006	2007	2006	2007	2006	2007			
Revenues:									
Program revenue									
Charges for service	\$ 301	\$ 341	\$ 53	\$ 48	\$ 354	\$ 389		9.89%	
Operating grants	407	414	48	46	455	460		1.10%	
General revenue									
Property taxes	971	1,074	-	-	971	1,074		10.61%	
Sales tax and surtax	332	366	-	-	332	366		10.24%	
Unrestricted state grants	1,261	1,225	-	-	1,261	1,225		-2.85%	
Unrestricted investment earnings	78	13	-	-	78	13		-83.33%	
Other revenue	31	31	-	-	31	31		0.00%	
Total revenues	<u>3,381</u>	<u>3,464</u>	<u>101</u>	<u>94</u>	<u>3,482</u>	<u>3,558</u>		<u>2.18%</u>	
Program expenses:									
Instruction	2,370	2,590	-	-	2,370	2,590		9.28%	
Student support	760	817	-	-	760	817		7.50%	
Non-instructional programs	8	7	99	100	107	107		0.00%	
Other expenses	286	328	-	-	286	328		14.69%	
Total expenses	<u>3,424</u>	<u>3,742</u>	<u>99</u>	<u>100</u>	<u>3,523</u>	<u>3,842</u>		<u>9.05%</u>	
Increase (decrease) in net assets	(43)	(278)	2	(6)	(41)	(284)		-592.68%	
Net assets Beginning of Year	<u>1,405</u>	<u>1,362</u>	<u>(1)</u>	<u>1</u>	<u>1,404</u>	<u>1,363</u>		<u>-2.92%</u>	
Net assets End of Year	<u>\$ 1,362</u>	<u>\$ 1,084</u>	<u>\$ 1</u>	<u>\$ (5)</u>	<u>\$ 1,363</u>	<u>\$ 1,079</u>		<u>-20.84%</u>	

### INDIVIDUAL FUND ANALYSIS

As the District completed the year, its governmental funds reported a combined fund balance of \$367,086, an \$270,872 decrease of the 2006 fiscal year end balance of \$637,958. The District spent \$235,394 more than the prior fiscal year.

- The general fund received more revenue during fiscal year 2007 through property taxes. The general fund expenditures increased in all areas to a \$235,109 increase in expenditures. The ending fund balance showed a decrease of \$312,362 to a negative \$19,772.
- The capital projects fund balance increased due to the greater increase of revenues of \$35,814 than the increase of \$20,042 in capital expenditures.

### BUDGETARY HIGHLIGHTS

The District's Board of Education annually adopts a budget as required by Iowa law. Proper public notice and a required public hearing are held before final approval of the budget. State statute required approval of the budget on or before April 15<sup>th</sup> of each year. The budget document presents functional disbursements by fund and the legal level of control is at the expense level by total instruction, total support services, total non-instructional programs, total other expenditures and total expenditures. The District amends the budget, as allowed by Iowa law, generally once per year to reflect the additional revenues and expenditures that may occur during the school year.

The following chart shows the original and amended budget for fiscal 2007 as well as the actual revenue and expenditures for the year:

Budgetary Comparison Schedule (Expressed in Thousands)				
	Actual Basis	Budget Amounts		Variance
			Final	
<b>Revenues</b>				
Local sources	\$ 1,873	\$	1,846	\$ 27
Intermediate sources	-	\$	1	(1)
State sources	1,461	\$	1,487	(26)
Federal sources	224	\$	174	50
<b>Total revenues</b>	<b>\$ 3,558</b>	<b>\$</b>	<b>3,508</b>	<b>\$ 50</b>
<b>Expenditures</b>				
Instruction	\$ 2,482	\$	2,412	\$ (70)
Student support	829	\$	959	130
Non-instructional programs	107	\$	119	12
Other expenses	484	\$	312	(172)
<b>Total expenditures</b>	<b>\$ 3,902</b>	<b>\$</b>	<b>3,802</b>	<b>\$ (100)</b>

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2007, North Winneshiek Community School District had \$1,588,810 invested in a broad range of capital assets, including buildings, land and equipment for the governmental activities. For the enterprise funds, the District had \$4,503 invested in equipment in the school nutrition fund.

The District had depreciation expense of \$116,621 for fiscal 2007 and total accumulated depreciation of \$2,196,106 as of June 30, 2007. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

### Debt

At year-end, the District had approximately \$868,845 in bonds and other debt compared to approximately \$820,324 last year. More detail is presented in Note 5 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt that districts can issue to 5 percent of the assessed value of all taxable property within the District's corporate limits. The District's outstanding general obligation debt is significantly below this \$4,404,441 limit.

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

### 1. Enrollment

The District's revenue is tied directly to student enrollment; therefore, it is important to analyze enrollment trends. The District's certified enrollment will decrease from FY08 330.7 to an estimate of 311 for FY09 which is a net loss of 19.7 students. The decrease is caused by 10 fewer open enrollments out and 10 fewer 9-12 students.

The District will qualify for the 101% budget guarantee for FY09. The FY09 regular program District cost will be \$1,816,998 which is 1% higher than the FY08 regular program District cost of \$1,799,008.

### 2. Supplemental Weighting

North Winneshiek will receive supplemental weighting for the one-way 9-12 sharing agreement with Decorah for the next 3 years. The supplemental weighting will increase from FY08 1.37 to FY09 5.04. The supplemental weighting is multiplied by the FY09 District cost per pupil. The supplemental weighting provides additional general fund revenue for the District.

### 3. General Fund Balance

The ending general fund balance for FY07 was \$-19,772. The District imposed a \$160,000 cash reserve levy to replenish the general fund in FY08.

### 4. Solvency Ratio for the General Fund

The solvency ratio describes one attribute of the District's general fund health. The ratio is the general fund balance divided by the general fund revenues. For FY07, the District had a -1% solvency ratio. *-3% and lower Concern, -2.99-0% Alert, 0-4.99% Acceptable, 5-10% Good, 11-15% Excellent.*

### 5. Spending Authority/Unspent Balance Ratio

The spending authority gives an additional snapshot of the District's general fund health. The spending authority is not cash. The spending authority gives the District the authority to spend money for general fund expenses. State law forbids school districts from exceeding their general fund spending authority.

The District's spending authority increased from FY05 \$381,402 to FY06 \$527,895 which is a \$146,493 increase.

The unspent balance ratio is based upon the District's spending authority. The ratio is derived from the unspent balance (spending authority) divided by the total general fund expenditures. For FY07, the District's unspent balance ratio was 15%. *0-10% Acceptable, 11-19% Good, <20% Excellent.*

### 6. Instructional Support

The District continues to have an instructional support levy that generates about \$150,000.00 for general fund expenditures. The levy is collected through a combination of property taxes, state aid, and an income surtax on District residents.

### 7. Sharing Agreements

The North Winneshiek School District has one-way 9-12 sharing agreements with Decorah CSD and Mabel-Canton ISD in place. The agreements allow the District to control the rising costs of educating its students.

### 8. School Infrastructure Local Option (SILO)

Winneshiek County's local option sales tax has allowed the District to allocate funds for District infrastructure, buses, computers/technology, and for payment on the District's bond debt. The District receives about \$250,000 annually from the SILO tax which provides direct property tax relief.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments			
Other	\$ 552,470	\$ 960	\$ 553,430
ISCAP	454,281		454,281
Receivables			
Property tax			
Delinquent	20,896		20,896
Succeeding year	1,167,690		1,167,690
Accounts	691	-	691
Accrued interest	136		136
Due from other governments	89,633		89,633
Inventories		5,272	5,272
Capital assets, non-depreciable	10,000		10,000
Capital assets, net of accumulated depreciation	1,578,810	4,503	1,583,313
Total assets	<u>\$ 3,874,607</u>	<u>\$ 10,735</u>	<u>\$ 3,885,342</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 126,138	\$ -	\$ 126,138
Salaries and benefits payable	174,081	3,897	177,978
Interfund payable (receivable)	(10,785)	10,785	-
Accrued interest payable	3,616		3,616
ISCAP accrued interest payable	112		112
ISCAP bond premium	3,376		3,376
Deferred revenue			
Succeeding year property tax	1,167,690		1,167,690
Other	3,099	930	4,029
ISCAP warrants payable	455,000		455,000
Long-term liabilities			
Portion due within one year			
Bonds payable	65,000		65,000
Capital leases	55,077		55,077
Early retirement	29,940		29,940
Portion due after one year			
Bonds payable	565,000		565,000
Capital leases	21,806		21,806
Early retirement	132,022		132,022
Total liabilities	<u>2,791,172</u>	<u>15,612</u>	<u>2,806,784</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	881,927	4,503	886,430
Restricted for			
Capital projects	301,779		301,779
Other purposes	76,733		76,733
Unrestricted (deficit)	(177,004)	(9,380)	(186,384)
Total net assets	<u>1,083,435</u>	<u>(4,877)</u>	<u>1,078,558</u>
Total liabilities and net assets	<u>\$ 3,874,607</u>	<u>\$ 10,735</u>	<u>\$ 3,885,342</u>

See Notes to Financial Statements.

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NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2007

Functions and Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants
<b>Governmental activities</b>			
<b>Instruction</b>			
Regular instruction	\$ 1,840,298	\$ 264,763	\$ 137,796
Special instruction	536,354	32,062	87,447
Other instruction	213,416	6,465	77,568
	<u>2,590,068</u>	<u>303,290</u>	<u>302,811</u>
<b>Support services</b>			
Student services	123,257	15,128	
Instructional staff services	64,251		
Administration services	237,164		
Operation and maintenance plant services	181,241	400	
Transportation services	211,092	15,706	
	<u>817,005</u>	<u>31,234</u>	
<b>Non-instructional</b>	<u>7,443</u>	<u>6,325</u>	
<b>Other</b>			
Long-term debt interest	34,940		
Facilities acquisition	131,020		
AEA flowthrough	111,326		111,326
Depreciation (unallocated)	50,315		
	<u>327,601</u>		<u>111,326</u>
<b>Total governmental activities</b>	<u>3,742,117</u>	<u>340,849</u>	<u>414,137</u>
<b>Business-type activities</b>			
<b>Non-instructional programs</b>			
Nutrition services	99,995	48,546	46,071
<b>Total</b>	<u>\$ 3,842,112</u>	<u>\$ 389,395</u>	<u>\$ 460,208</u>
<b>General revenues</b>			
Property taxes levied for			
General purposes			
Management			
PPEL			
Local option sales tax and surtax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
<b>Total general revenues</b>			
Change in net assets			
Net assets (deficit), beginning of year			
Net assets, end of year			
See Notes to Financial Statements.			

EXHIBIT B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (1,437,739)		\$ (1,437,739)
(416,845)		(416,845)
(129,383)		(129,383)
(1,983,967)		(1,983,967)
(108,129)		(108,129)
(64,251)		(64,251)
(237,164)		(237,164)
(180,841)		(180,841)
(195,386)		(195,386)
(785,771)		(785,771)
(1,118)		(1,118)
(34,940)		(34,940)
(131,020)		(131,020)
-		-
(50,315)		(50,315)
(216,275)		(216,275)
(2,987,131)		(2,987,131)
	\$ (5,378)	(5,378)
(2,987,131)	(5,378)	(2,992,509)
974,902		974,902
70,114		70,114
29,115		29,115
365,529		365,529
1,224,820		1,224,820
12,927		12,927
30,982		30,982
2,708,389	-	2,708,389
(278,742)	(5,378)	(284,120)
1,362,177	501	1,362,678
<u>\$ 1,083,435</u>	<u>\$ (4,877)</u>	<u>\$ 1,078,558</u>

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and pooled investments				
Other	\$ 135,931	\$ 334,081	\$ 82,458	\$ 552,470
ISCAP	454,281			454,281
Receivables				
Property tax				
Delinquent	18,966		1,930	20,896
Succeeding year	1,103,816		63,874	1,167,690
Accounts	-		691	691
Accrued interest	136			136
Due from other funds	10,785		-	10,785
Due from other governments	48,761	40,872		89,633
Total assets	<u>\$ 1,772,676</u>	<u>\$ 374,953</u>	<u>\$ 148,953</u>	<u>\$ 2,296,582</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 52,964	\$ 73,174	\$ -	\$ 126,138
Salaries and benefits payable	174,081			174,081
ISCAP warrants payable	455,000			455,000
Accrued interest payable	112			112
Bond premium	3,376			3,376
Deferred revenue				
Succeeding year property tax	1,103,816		63,874	1,167,690
Other	3,099			3,099
Total liabilities	<u>1,792,448</u>	<u>73,174</u>	<u>63,874</u>	<u>1,929,496</u>
Fund balances				
Reserved for				
Debt service			345	345
Unreserved, reported in				
General fund	(19,772)			(19,772)
Special revenue funds			84,734	84,734
Capital projects fund		301,779		301,779
Total fund balances	<u>(19,772)</u>	<u>301,779</u>	<u>85,079</u>	<u>367,086</u>
Total liabilities and fund balances	<u>\$ 1,772,676</u>	<u>\$ 374,953</u>	<u>\$ 148,953</u>	<u>\$ 2,296,582</u>

See Notes to Financial Statements.

NORTH WINNESHEIK COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET ASSETS

Total governmental fund balances	\$	367,086
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds, net of accumulated depreciation of		
\$ 2,131,379		1,588,810
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds		
Bonds payable		(630,000)
Capital leases		(76,883)
Accrued interest		(3,616)
Early retirement		(161,962)
		<hr/>
Net assets of governmental activities per Exhibit A	\$	<u>1,083,435</u>

See Notes to Financial Statements.

NORTH WINNESHEEK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2007

	General	Capital Projects	Nonmajor Governmental Funds	Total
<b>REVENUES</b>				
Local sources				
Local property tax	\$ 1,057,679		\$ 99,229	\$ 1,156,908
Tuition	302,360			302,360
Other	50,377	\$ 297,337	17,436	365,150
State sources	1,459,772		-	1,459,772
Federal sources	179,185			179,185
<b>Total revenues</b>	<b>3,049,373</b>	<b>297,337</b>	<b>116,665</b>	<b>3,463,375</b>
<b>EXPENDITURES</b>				
Current				
Instruction				
Regular instruction	1,716,508		15,475	1,731,983
Special instruction	536,354			536,354
Other instruction	197,542		15,874	213,416
	<u>2,450,404</u>		<u>31,349</u>	<u>2,481,753</u>
Support services				
Student services	116,984		-	116,984
Instructional staff services	68,502			68,502
Administration services	237,164		-	237,164
Operation and maintenance plant services	143,398		35,248	178,646
Transportation services	226,514		720	227,234
	<u>792,562</u>		<u>35,968</u>	<u>828,530</u>
Non-instructional	<u>7,443</u>		<u>-</u>	<u>7,443</u>
Other				
Long-term debt				
Principal			115,242	115,242
Interest and fiscal charges		1,222	33,208	34,430
Facilities acquisition		190,845	32,489	223,334
AEA flowthrough	111,326			111,326
	<u>111,326</u>	<u>192,067</u>	<u>180,939</u>	<u>484,332</u>
<b>Total expenditures</b>	<b>3,361,735</b>	<b>192,067</b>	<b>248,256</b>	<b>3,802,058</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(312,362)</b>	<b>105,270</b>	<b>(131,591)</b>	<b>(338,683)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in			148,650	148,650
Operating transfers (out)	-	(148,650)		(148,650)
Executions of capital lease		67,811		67,811
	<u>-</u>	<u>(80,839)</u>	<u>148,650</u>	<u>67,811</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES</b>	<b>(312,362)</b>	<b>24,431</b>	<b>17,059</b>	<b>(270,872)</b>
<b>FUND BALANCE, beginning of year</b>	<b>292,590</b>	<b>277,348</b>	<b>68,020</b>	<b>637,958</b>
<b>FUND BALANCE, end of year</b>	<b>\$ (19,772)</b>	<b>\$ 301,779</b>	<b>\$ 85,079</b>	<b>\$ 367,086</b>

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2007

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Net change in fund balances - total governmental funds	\$	(270,872)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.</p>		
Depreciation	\$	(115,994)
Capital outlays		41,161
		157,155
<p>Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.</p>		
		115,242
<p>Proceeds of capital lease issuance are included in the governmental funds but increase long-term liabilities in the statement of activities.</p>		
		(67,811)
<p>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.</p>		
		(510)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Early retirement		(95,952)
		(95,952)
Change in net assets of governmental activities per Exhibit B	\$	(278,742)

See Notes to Financial Statements.

NORTH WINNESHEEK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2007

	School Nutrition Fund
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 960
Inventories	5,272
<b>Total current assets</b>	<b>6,232</b>
<b>NONCURRENT ASSETS</b>	
Furniture and equipment	69,230
Less accumulated depreciation	(64,727)
<b>Total noncurrent assets</b>	<b>4,503</b>
<b>Total assets</b>	<b>\$ 10,735</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Contracts and benefits payable	\$ 3,897
Due to other funds	10,785
Deferred revenue	930
<b>Total liabilities</b>	<b>15,612</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	4,503
Unrestricted deficit	(9,380)
<b>Total net assets</b>	<b>(4,877)</b>
<b>Total liabilities and net assets</b>	<b>\$ 10,735</b>

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
For the Year Ended June 30, 2007

	School Nutrition Fund
<b>OPERATING REVENUES</b>	
Local sources	
Charges for services	\$ 48,546
<b>OPERATING EXPENSES</b>	
Non-instructional programs	
Food service operations	
Salaries and benefits	59,364
Supplies	40,004
Depreciation	627
Total operating expenses	99,995
Operating loss	(51,449)
<b>NONOPERATING REVENUES</b>	
State sources	1,250
Federal sources	44,821
Total nonoperating revenues	46,071
Change in net assets	(5,378)
Net assets, beginning of year	501
Net assets (deficit), end of year	\$ (4,877)

See Notes to Financial Statements.

NORTH WINNESHTEK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Year Ended June 30, 2007

	School Nutrition Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from sale of lunches and breakfasts	\$ 48,546
Cash received from miscellaneous operating activities	120
State grants and federal grants received	46,071
Cash payments to employees for services	(55,467)
Cash payments to suppliers for goods and services	(41,241)
	(1,971)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash received from other funds	10,785
Cash payments to other funds	(9,442)
	1,343
Net decrease in cash and cash equivalents	(628)
CASH, beginning of year	1,588
CASH, end of year	\$ 960
<b>Reconciliation of operating loss to net cash used in operating activities</b>	
Operating loss	\$ (5,378)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	627
(Increase) in inventories	(1,237)
Increase in accounts payable	3,897
Increase in deferred revenue	120
	\$ (1,971)

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

The North Winneshiek Community School District is a political subdivision of the State of Iowa. The District's primary purpose is to provide education from grades kindergarten through twelve. The geographic area served includes the Cities of Burr Oak, Bluffton, and Highlandville, Iowa, and the predominately agricultural territory in a portion of Winneshiek County. It is supported financially by local property taxes, state aid and state and federal grants for special projects. The District is governed by a five-member Board of Education whose members are elected on a non-partisan basis. The District has taxing authority and fund raising capabilities of its own. Final approval of the District's annual program and budget plans rests with the local Board of Education.

b. Significant Accounting Policies

*Scope of Reporting Entity*

For financial reporting purposes, North Winneshiek Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District; or the organization is fiscally dependent on the primary government. Also, any other organizations that due to the nature or significance of their relationship with the District should be included in the financial statements as component units. The District has no component units which meet the Governmental Accounting Standards Board criteria.

*Joint Venture*

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

*Jointly Governed Organizations*

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

*District-wide Financial Statements*

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

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

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

b. Significant Accounting Policies (Continued)

*Fund Financial Statements*

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The general fund and the capital projects fund are the major governmental funds for the District. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The funds of the financial reporting entity are described below:

*Governmental*

*General Fund*

The general fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

*Capital Projects Fund*

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

*Proprietary Fund*

*Enterprise Fund*

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

*Measurement Focus and Basis of Accounting*

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

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

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

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

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

b. Significant Accounting Policies (Continued)

*Measurement Focus and Basis of Accounting (Continued)*

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

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

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

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

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

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

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

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Equity*

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

*Cash, Pooled Investments and Cash Equivalents*

The cash balances of most District funds are pooled and invested. All investment activity is carried on by the District in each individual fund. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

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

*Property Tax Receivable*

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 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.

*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 purchased or received.

*Capital Assets*

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

NOTES TO FINANCIAL STATEMENTS

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Equity (Continued)*

*Capital Assets (Continued)*

Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years:

Asset Class	Amount
Land	\$ 500
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School nutrition fund equipment	500
Other furniture and equipment	2,500

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

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

*Salaries and Benefits Payable*

Payroll and related expenditures or expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities. Also, wages for hourly employees earned in June and paid in July have been accrued as liabilities. The rate in effect at June 30, 2007 was used to calculate the salaries payable.

*Deferred Revenue*

In the fund financial statements certain revenues are measurable they are not available. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable and unspent grant proceeds. Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

*Long-term Obligation*

In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets. Early retirement liability has been paid primarily by the nonmajor governmental management fund.

*Compensated Absences*

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

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Equity (Continued)*

*Fund Balance*

In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Reserved fund balances are used first when an expenditure is incurred for purposes for both reserved and unreserved fund balances.

*Net Assets*

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

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

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

*Budgets and Budgetary Accounting*

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

2. Deposits and Pooled Investments

The District's deposits in banks at June 30, 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; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

	<u>Amortized Cost</u>
Diversified portfolio	<u>\$ 383,528</u>

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

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

NOTES TO FINANCIAL STATEMENTS

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2007:

Governmental General fund		
Title I	\$	35,623
Medicaid assist		12,477
State vocational aid		661
Capital projects		
Local option sales tax		40,872
		40,872
	\$	89,633

4. Capital Assets

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

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Governmental activities				
Land	\$ 10,000			\$ 10,000
Capital assets being depreciated				
Improvements	320,232	\$ 21,396		341,628
Buildings	1,993,227			1,993,227
Furniture and equipment	1,239,575	135,759		1,375,334
Total capital assets being depreciated	3,553,034	157,155	\$ None	3,710,189
Less accumulated depreciation for:				
Improvements	910,977	40,065		951,042
Buildings	295,845	3,674		299,519
Furniture and equipment	808,563	72,255		880,818
Total accumulated depreciation	2,015,385	115,994	None	2,131,379
Total capital assets being depreciated, net	1,537,649	41,161	None	1,578,810
Governmental activities				
Capital assets	\$ 1,547,649	\$ 41,161	\$ None	\$ 1,588,810
Business-type activities				
Furniture and equipment	\$ 69,230			\$ 69,230
Less accumulated depreciation	64,100	\$ 627	\$ None	64,727
Business-type activities				
Capital assets, net	\$ 5,130	\$ (627)	\$ None	\$ 4,503

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets (Continued)

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

Governmental activities		
Instruction		
Regular	\$	12,363
Support services		
Administration services		6,273
Operation and maintenance		2,595
Transportation		44,448
		65,679
Unallocated depreciation		50,315
Total depreciation expense-governmental activities	\$	115,994
 Business-type activities		
Food services	\$	627

5. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2007 was as follows:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
Governmental activities					
Bonds					
General obligation	\$ 690,000		\$ 60,000	\$ 630,000	\$ 65,000
Other liabilities					
Capital leases	64,314	\$ 67,811	55,242	76,883	55,077
Early retirement	66,010	105,000	9,048	161,962	29,940
	130,324	172,811	64,290	238,845	85,017
 Governmental activities					
Long-term liabilities	\$ 820,324	\$ 172,811	\$ 124,290	\$ 868,845	\$ 150,017

a. Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on the employee's salary schedule in effect the last year of employment. Early retirement expenditures for the year ended June 30, 2007 totaled \$9,048.

b. Bonded Indebtedness

\$630,000 1998 General Obligation Serial Bonds, due annually in varying installments May 1, 2008 through May 1, 2015 plus interest semi-annually with interest rates of the bonds varying from 4.7% to 5.05%.

NOTES TO FINANCIAL STATEMENTS

5. Long-term Debt Obligations (Continued)

b. Bonded Indebtedness (Continued)

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

Year Ending June 30,	Principal	Interest
2008	\$ 65,000	\$ 30,912
2009	70,000	27,662
2010	75,000	24,372
2011	75,000	20,810
2012	80,000	17,173
2013-2015	265,000	26,843
	\$ 630,000	\$ 147,772

At June 30, 2007, the debt issued by the District did not exceed its legal debt margin compiled as follows:

Total assessed valuation	\$ 88,088,812
Debt limit – 5% of total assessed valuation	\$ 4,404,441
Debt applicable to debt limit	
Capital leases	(76,883)
General obligation bonded debt outstanding	(630,000)
Legal debt margin	\$ 3,697,558

c. Capital Leases

The District has leased one bus and computers under capital leases. The following is a schedule of future minimum lease payments under the capital leases, together with the net present value of the minimum lease payments as of June 30, 2007.

	Year Ending June 30,	Amount
	2008	\$ 58,275
	2009	23,464
		\$ 81,739
Minimum lease payments		\$ 81,739
Less amount representing interest		4,856
Present value of minimum lease payments		\$ 76,883

NOTES TO FINANCIAL STATEMENTS

6. Due to/from Other Funds

As of June 30, 2007, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 10,785	
School nutrition fund		\$ 10,785
	\$ 10,785	\$ 10,785

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

7. Interfund Transfers

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

	Transfers In	Transfers Out
Capital projects fund		\$ 148,650
Debt service fund	\$ 148,650	
Total	\$ 148,650	\$ 148,650

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

8. Fund Equity

The amounts restricted at June 30, 2007 are as follows:

Restricted net assets	
Capital projects fund	\$ 301,779
Plant, property and equipment levy fund	20,859
	\$ 322,638

The amounts reserved at June 30, 2007 are as follows:

Reserved fund balances	
Debt service fund	\$ 345

9. Iowa School Cash Anticipation Program (ISCAP)

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

NOTES TO FINANCIAL STATEMENTS

9. Iowa School Cash Anticipation Program (ISCAP) (Continued)

A summary of the District's participation in ISCAP at June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08A	6/30/07	6/30/08	\$ 454,281	\$ 136	\$ 455,000	\$ 112

The District pledges its state foundation aid payments and general fund receipts as security for warrants issued. Repayments must be made when general fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its general fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the general fund for the year ended June 30, 2007 is as follows:

Series	Balance Beginning Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A	\$ None	\$ 455,000	\$ None	\$ 455,000

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates On Warrants	Interest Rates On Investments
2007-08A	4.50%	5.455%

10. Leases

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

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

Year ended June 30, 2008	\$ <u>510</u>
--------------------------	---------------

Total lease expense for the year ended June 30, 2007 was \$510.

11. 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 \$74,546, \$70,824, and \$66,369 respectively, equal to the required contributions for each year.

## NOTES TO FINANCIAL STATEMENTS

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### 12. Termination Benefits

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

Early retirement benefits are \$35,000 to be used to pay employee's health insurance policy.

At June 30, 2007, the District has obligations to five participants with a total liability of \$161,962. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$9,048.

### 13. Employee Insurance Plan

The District participates in the Northeast Iowa Conference Schools 28E Retention Pool Trust to provide a medical, dental, life, disability, and welfare plan for its employees and their families. The trust was formed by the District and ten other districts to create a pool to pay insurance costs. The agreement was effective July 1, 2005 and will continue in force until terminated by mutual agreement of the governing board. The trust is administered by Group Benefits Consultants, Inc.

Monthly payments of service fees and plan contributions are recorded as expenditures in the general fund at the time of payment to the trust account maintained by Midwest Group Benefits Consultants, Inc. The trust liability is limited to \$90,000 per individual annually with a \$2,000,000 per individual maximum. Payments from participating members are the sole source for paying claims and establishing reserves for the trust self-funded programs. Stop loss insurance is purchased by the trust to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. The District may be contingently liable for any claims in excess of funds available at June 30, 2007, since the pool arrangement allows the trust to make additional assessments to members. The District's share of the trust's liability for any unreported claim or assessment at June 30, 2007 was unavailable as of November 8, 2007. The District contributed \$231,689 for the year ended June 30, 2007.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2007, no liability has been recorded in the District's financial statements. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance company coverage. Audited financial statements of Northeast Iowa Conference Schools 28E Retention Pool Trust are available at the North Winneshiek Community School District's office located at 3495 North Winn Road, Decorah, IA 52101.

### 14. Net Assets

The government wide statement of net assets reports \$378,512 of restricted net assets, of which \$76,733 is restricted by enabling legislation.

### 15. Risk Management

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

### 16. Fund Balance / Net Assets Deficit

The general fund has a deficit fund balance as of June 30, 2007. The school nutrition fund has a net assets deficit as of June 30, 2007. The District plans to reduce staff size and budget for cash reserve levy.

17. 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 \$111,326 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.

18. Contingencies

a. Grant Funding

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2007 significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

b. Insurance Plan

As discussed in Note 13, the District is contingently liable for any unreported claim or assessment in excess of their balance in the insurance pool.

19. Commitment

The District has entered into two 28E agreements for high school education services. The first agreement is with Decorah Community School District for one-way whole grade sharing of grades 9-12 in the amount of 82% the District's regular program cost per pupil for the first four years, then it will increase to 85%, if school infrastructure local option is not renewed. The agreement expires June 30, 2012. The second agreement is with Mabel-Canton Independent School District for students in grades 9-12.

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NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND  
For the Year Ended June 30, 2007

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual
<b>RECEIPTS</b>			
Local sources	\$ 1,824,418	\$ 48,546	\$ 1,872,964
Intermediate sources	-	-	-
State sources	1,459,772	1,250	1,461,022
Federal sources	179,185	44,821	224,006
<b>Total receipts</b>	<b>3,463,375</b>	<b>94,617</b>	<b>3,557,992</b>
<b>DISBURSEMENTS</b>			
Instruction	2,481,753	-	2,481,753
Support services	828,530	-	828,530
Non-instructional	7,443	99,995	107,438
Other	484,332	-	484,332
<b>Total disbursements</b>	<b>3,802,058</b>	<b>99,995</b>	<b>3,902,053</b>
<b>EXCESS OF RECEIPTS OVER DISBURSEMENTS</b>	<b>(338,683)</b>	<b>(5,378)</b>	<b>(344,061)</b>
<b>OTHER FINANCING SOURCES, NET</b>	<b>67,811</b>	<b>-</b>	<b>67,811</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES</b>	<b>(270,872)</b>	<b>(5,378)</b>	<b>(276,250)</b>
<b>FUND BALANCE, beginning of year</b>	<b>637,958</b>	<b>501</b>	<b>638,459</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 367,086</b>	<b>\$ (4,877)</b>	<b>\$ 362,209</b>

See Notes to Required Supplementary Information.

Budget Amounts		Final to Actual Variance- Positive (Negative)
Original	Amended Final	
\$ 1,846,456	\$ 1,846,456	\$ 26,508
500	500	(500)
1,487,059	1,487,059	(26,037)
174,000	174,000	50,006
<u>3,508,015</u>	<u>3,508,015</u>	<u>49,977</u>
2,349,000	2,411,551	(70,202)
865,308	959,355	130,825
95,000	119,183	11,745
312,151	312,151	(172,181)
<u>3,621,459</u>	<u>3,802,240</u>	<u>(99,813)</u>
(113,444)	(294,225)	(49,836)
94,512	94,512	(26,701)
(18,932)	(199,713)	(76,537)
<u>805,145</u>	<u>805,145</u>	<u>(166,686)</u>
<u>\$ 786,213</u>	<u>\$ 605,432</u>	<u>\$ (243,223)</u>

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2007

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the modified 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. These four functions are instruction, support services, non-instructional programs, and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the general fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$180,781.

During the year ended June 30, 2007, disbursements in the instruction, and other areas exceeded the amount budgeted.

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Fax 641 394-3138

**INDEPENDENT AUDITOR'S REPORT ON THE  
SUPPLEMENTARY INFORMATION**

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

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

We have previously audited, in accordance with U.S. generally accepted auditing standards, the basic financial statements of North Winneshiek Community School District as of and for the years ended June 30, 2006 and 2005, none of which is presented herein, and expressed unqualified opinions on those basic financial statements. In our opinion, the information set forth in the required supplementary information for the periods ended June 30, 2007 and 2006, appearing on pages 34, 36, 38, and pages 40 through 42, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived. The basic financial statements of North Winneshiek Community School District for the year ended June 30, 2004 and general purpose financial statements for the year ended June 30, 2003, none of which are presented herein, were audited by other auditors whose report dated October 15, 2004, expressed an unqualified opinion on those financial statements. Their report, as of the same date, on the information presented on page 34 stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2004 and the general purpose financial statements for the year ended June 30, 2003, taken as a whole.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
November 8, 2007

NORTH WINNESHEEK COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2007

	Special Revenue	Debt Service	Total Nonmajor Funds
<b>ASSETS</b>			
Cash and pooled investments	\$ 82,113	\$ 345	\$ 82,458
Receivables			
Property tax			
Delinquent	1,930		1,930
Succeeding year	63,874	-	63,874
Accounts	691	-	691
Due from other funds		-	-
	<u>148,608</u>	<u>345</u>	<u>148,953</u>
Total assets	<u>\$ 148,608</u>	<u>\$ 345</u>	<u>\$ 148,953</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	-	-	-
Deferred revenue			
Succeeding year property tax	63,874		63,874
Total liabilities	<u>63,874</u>	<u>-</u>	<u>63,874</u>
Fund balances			
Reserved for			
Debt service		345	345
Unreserved	84,734		84,734
	<u>84,734</u>	<u>345</u>	<u>85,079</u>
Total liabilities and fund balances	<u>\$ 148,608</u>	<u>\$ 345</u>	<u>\$ 148,953</u>

See Independent Auditor's Report on the Supplementary Information.

NORTH WINNESHEEK COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007

	Special Revenue	Debt Service	Total Nonmajor Funds
<b>REVENUES</b>			
Local sources			
Property taxes	\$ 99,229		\$ 99,229
Other	17,429	\$ 7	17,436
Total revenues	<u>116,658</u>	<u>7</u>	<u>116,665</u>
<b>EXPENDITURES</b>			
Current			
Instruction			
Regular instruction	15,475		15,475
Other instruction	15,874		15,874
Support services			
Student services	-		-
Administration services	-		-
Operation and maintenance plant services	35,248		35,248
Transportation services	720		720
Non-instructional	-		-
Other			
Facilities acquisition	32,489		32,489
Long-term debt			
Principal		115,242	115,242
Interest and fiscal charges		33,208	33,208
Total expenditures	<u>99,806</u>	<u>148,450</u>	<u>248,256</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	16,852	(148,443)	(131,591)
<b>OTHER FINANCING SOURCES</b>			
Transfers in	-	148,650	148,650
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND FINANCING USES	16,852	207	17,059
FUND BALANCE, beginning of year	67,882	138	68,020
FUND BALANCE, end of year	<u>\$ 84,734</u>	<u>\$ 345</u>	<u>\$ 85,079</u>

See Independent Auditor's Report on the Supplementary Information.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 June 30, 2007

	Management Levy	Physical Plant and Equipment Levy	Student Activity	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>				
Cash and pooled investments	\$ 54,510	\$ 20,293	\$ 7,310	\$ 82,113
Receivables				
Property tax				
Delinquent	1,364	566		1,930
Succeeding year	34,769	29,105		63,874
Accounts	-		691	691
Total assets	<u>\$ 90,643</u>	<u>\$ 49,964</u>	<u>\$ 8,001</u>	<u>\$ 148,608</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable			\$ -	\$ -
Deferred revenue				
Succeeding year property tax	<u>\$ 34,769</u>	<u>\$ 29,105</u>	<u>-</u>	<u>63,874</u>
Total liabilities	<u>34,769</u>	<u>29,105</u>	<u>-</u>	<u>63,874</u>
Fund balances				
Unreserved	<u>55,874</u>	<u>20,859</u>	<u>8,001</u>	<u>84,734</u>
Total liabilities and fund balances	<u>\$ 90,643</u>	<u>\$ 49,964</u>	<u>\$ 8,001</u>	<u>\$ 148,608</u>

See Independent Auditor's Report on the Supplementary Information.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 For the Year Ended June 30, 2007

	Management Levy	Physical Plant and Equipment Levy	Student Activity	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>				
Local sources				
Local property tax	\$ 70,114	\$ 29,115		\$ 99,229
Other	1,931	370	\$ 15,128	17,429
<b>Total revenues</b>	<b>72,045</b>	<b>29,485</b>	<b>15,128</b>	<b>116,658</b>
<b>EXPENDITURES</b>				
Current				
Instruction				
Regular instruction	15,475			15,475
Other instruction			15,874	15,874
Support services				
Student services	-			-
Instructional staff services				-
Administration services	-			-
Operation and maintenance plant services	35,060	188		35,248
Transportation services	720			720
Non-instructional	-			-
Other				
Facilities acquisition		32,489		32,489
<b>Total expenditures</b>	<b>51,255</b>	<b>32,677</b>	<b>15,874</b>	<b>99,806</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>20,790</b>	<b>(3,192)</b>	<b>(746)</b>	<b>16,852</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in		-		-
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES</b>	<b>20,790</b>	<b>(3,192)</b>	<b>(746)</b>	<b>16,852</b>
<b>FUND BALANCE, beginning of year</b>	<b>35,084</b>	<b>24,051</b>	<b>8,747</b>	<b>67,882</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 55,874</b>	<b>\$ 20,859</b>	<b>\$ 8,001</b>	<b>\$ 84,734</b>

See Independent Auditor's Report on the Supplementary Information.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 For the Year Ended June 30, 2007

	Balance June 30, 2006	Revenues	Expenditures	Balance June 30, 2007
Summer Recreation	\$ 577	\$ 3,106	\$ 1,011	\$ 2,672
Staff Activity	598	230	135	693
Playground	1	-	-	1
Athletics	417	1,326	1,155	588
Elementary Recreation	446	320	538	228
Yearbook	111	623	1,024	(290)
Elementary Student Council	747	-	235	512
Middle Student Council	1,835	4,127	5,602	360
Clearing	-	2,839	2,839	-
Miscellaneous Student Activity	966	930	1,116	780
Box tops/Milk caps	2,083	1,008	1,647	1,444
Fifth grade	344	619	572	391
NWBL	622	-	-	622
	<u>\$ 8,747</u>	<u>\$ 15,128</u>	<u>\$ 15,874</u>	<u>\$ 8,001</u>

See Independent Auditor's Report on the Supplementary Information.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
GOVERNMENTAL FUNDS  
For the Years Ended June 30,

	Modified Accrual				
	2007	2006	2005	2004	2003
<b>REVENUES</b>					
Local sources					
Local tax	\$ 1,156,908	\$ 1,051,110	\$ 1,073,996	\$ 1,339,652	\$ 1,305,657
Tuition	302,360	251,262	217,594	176,324	175,310
Other	365,150	411,699	384,591	105,559	93,069
Intermediate sources	-	593	719	-	-
State sources	1,459,772	1,478,799	1,485,245	1,301,288	1,398,967
Federal sources	179,185	188,080	123,443	122,077	130,025
<b>Total revenues</b>	<b>\$ 3,463,375</b>	<b>\$ 3,381,543</b>	<b>\$ 3,285,588</b>	<b>\$ 3,044,900</b>	<b>\$ 3,103,028</b>
<b>EXPENDITURES</b>					
Current					
Instruction					
Regular instruction	\$ 1,731,983	\$ 1,614,585	\$ 1,671,552	\$ 1,626,798	\$ 1,592,302
Special instruction	536,354	472,837	456,109	552,080	534,936
Other instruction	213,416	232,265	82,900	68,406	54,219
Support services					
Student services	116,984	75,622	47,476	46,381	39,818
Instructional staff services	68,502	60,146	47,342	33,155	35,829
Administration services	237,164	226,694	217,775	209,259	200,168
Operation and maintenance plant services	178,646	146,214	158,425	128,574	121,611
Transportation services	227,234	252,560	216,795	246,843	173,343
Non-instructional	7,443	8,480	18,804	6,783	13,503
Other					
Facilities acquisition	223,334	246,909	142,780	42,583	21,073
Long-term debt					
Principal	115,242	83,319	77,747	93,031	62,904
Interest and fiscal charges	34,430	36,923	39,942	41,518	47,850
AEA flowthrough	111,326	110,110	108,509	108,251	116,759
<b>Total expenditures</b>	<b>\$ 3,802,058</b>	<b>\$ 3,566,664</b>	<b>\$ 3,286,156</b>	<b>\$ 3,203,662</b>	<b>\$ 3,014,315</b>

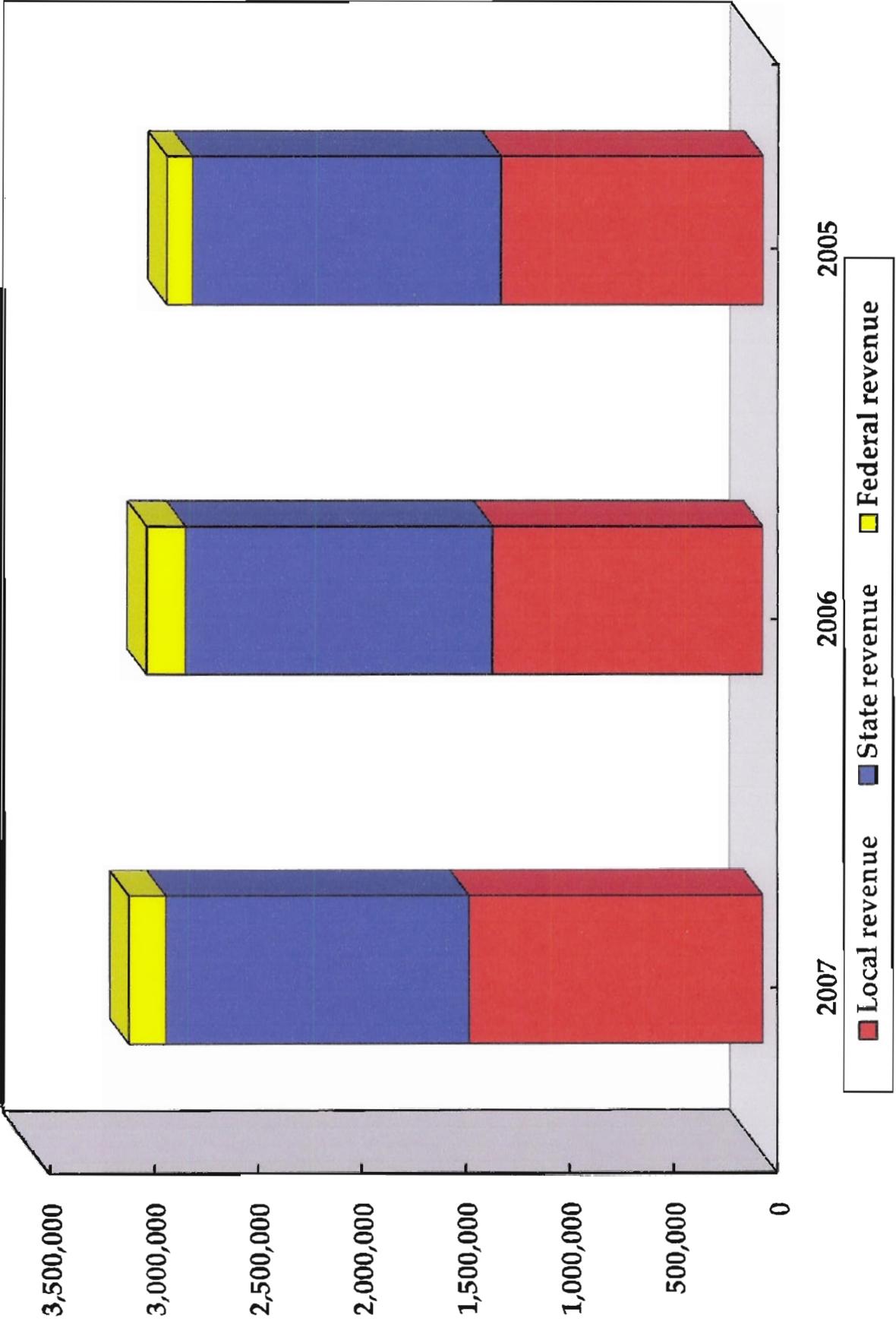
See Independent Auditor's Report on the Supplementary Information.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2007

Grantor/Program Title	Federal CFDA Number	Grant Number	Expenditures
<b>Indirect</b>			
Department of Agriculture			
Passed Through Iowa Department of Education			
School Breakfast Program	10.553	FY07	\$ 6,625
National School Lunch Program	10.555	FY07	30,295
Food Distribution Program (non-cash)	10.550	FY07	7,014
Total Department of Agriculture			<u>43,934</u>
Department of Education			
Passed Through Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	1638-G-07	108,288
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY07	240
State Grants for Innovative Programs	84.298	FY07	662
Rural Education Achievement Program	84.358A	S358A044169	13,377
Improving Teacher Quality State Grants	84.367	FY07	15,938
Total Department of Education			<u>138,505</u>
			<u>\$ 182,439</u>

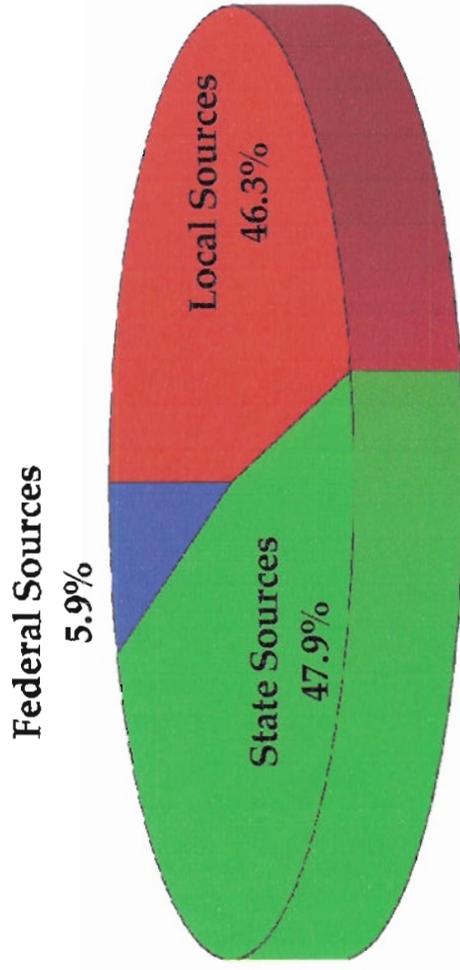
See Independent Auditor's Report on the Supplementary Information.

**NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT**  
**Comparison of General Fund Revenues**

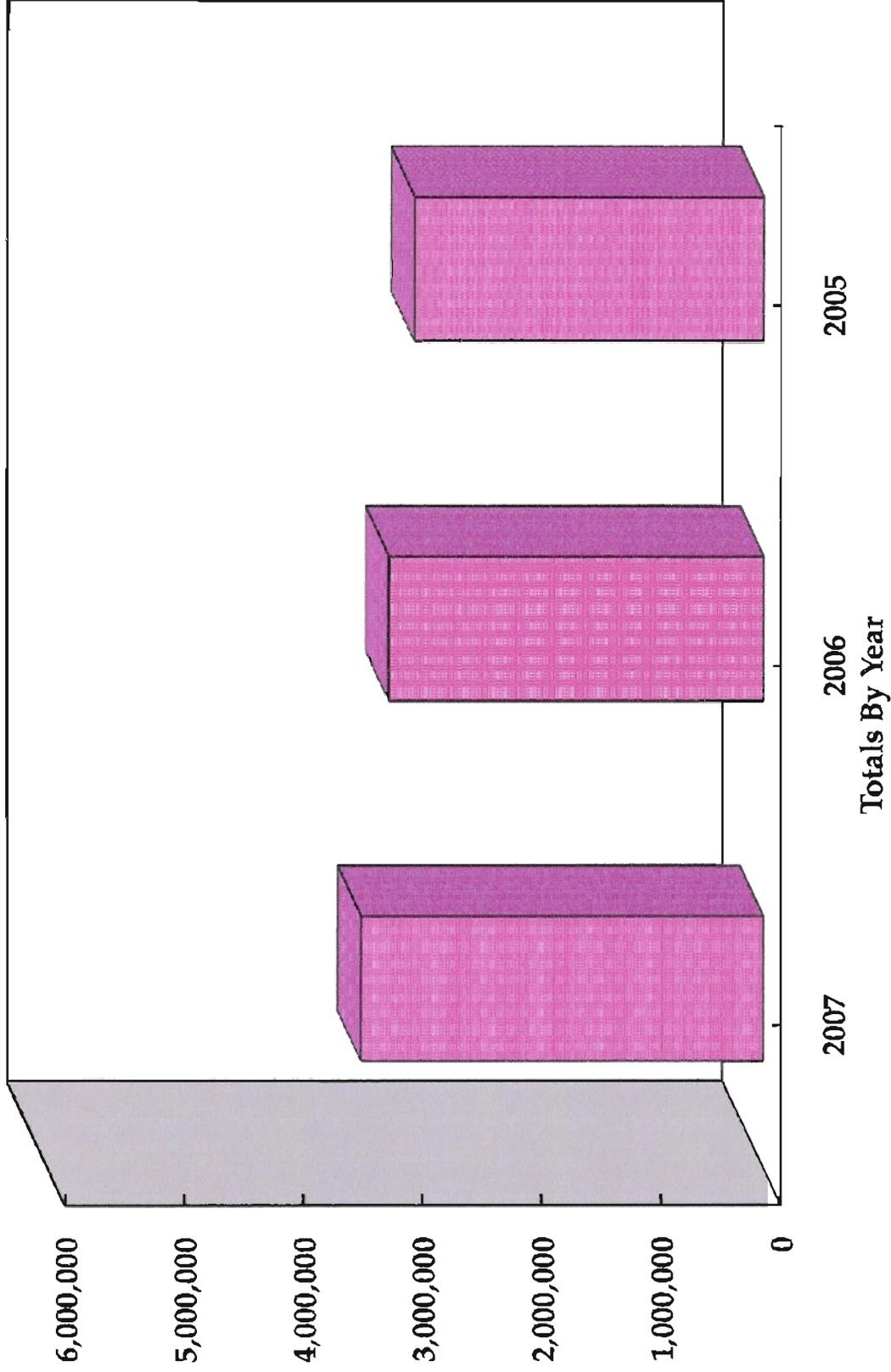


See Independent Auditor's Report on the Supplementary Information.

**NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
General Fund Revenue Analysis**

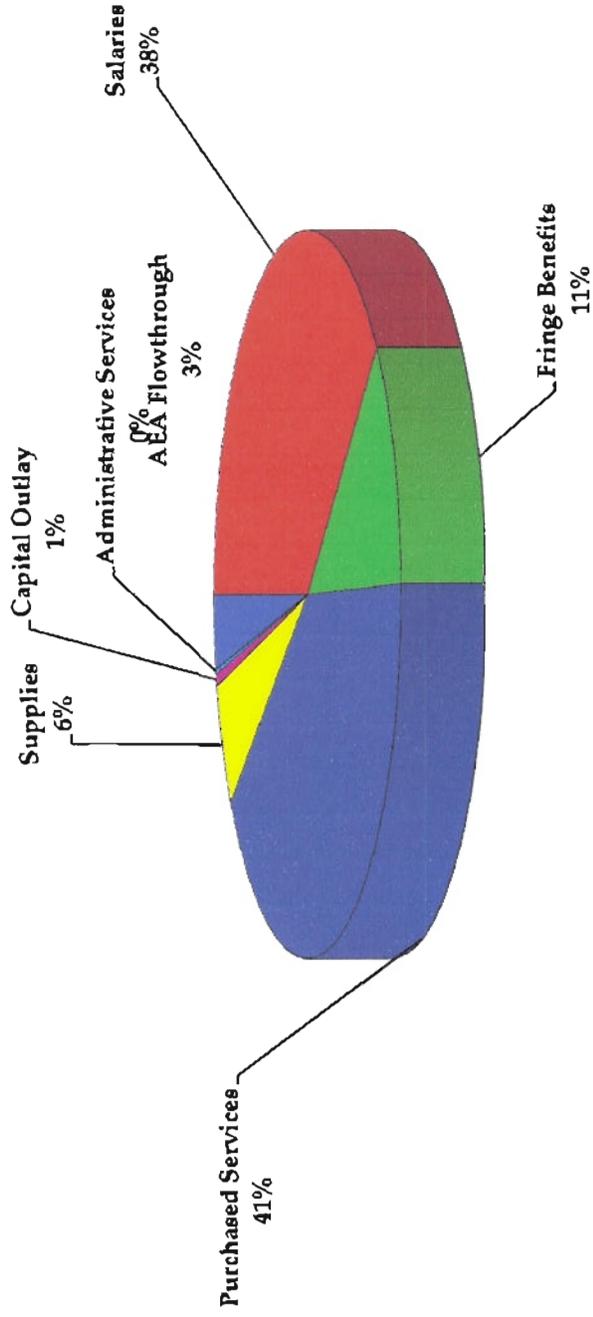


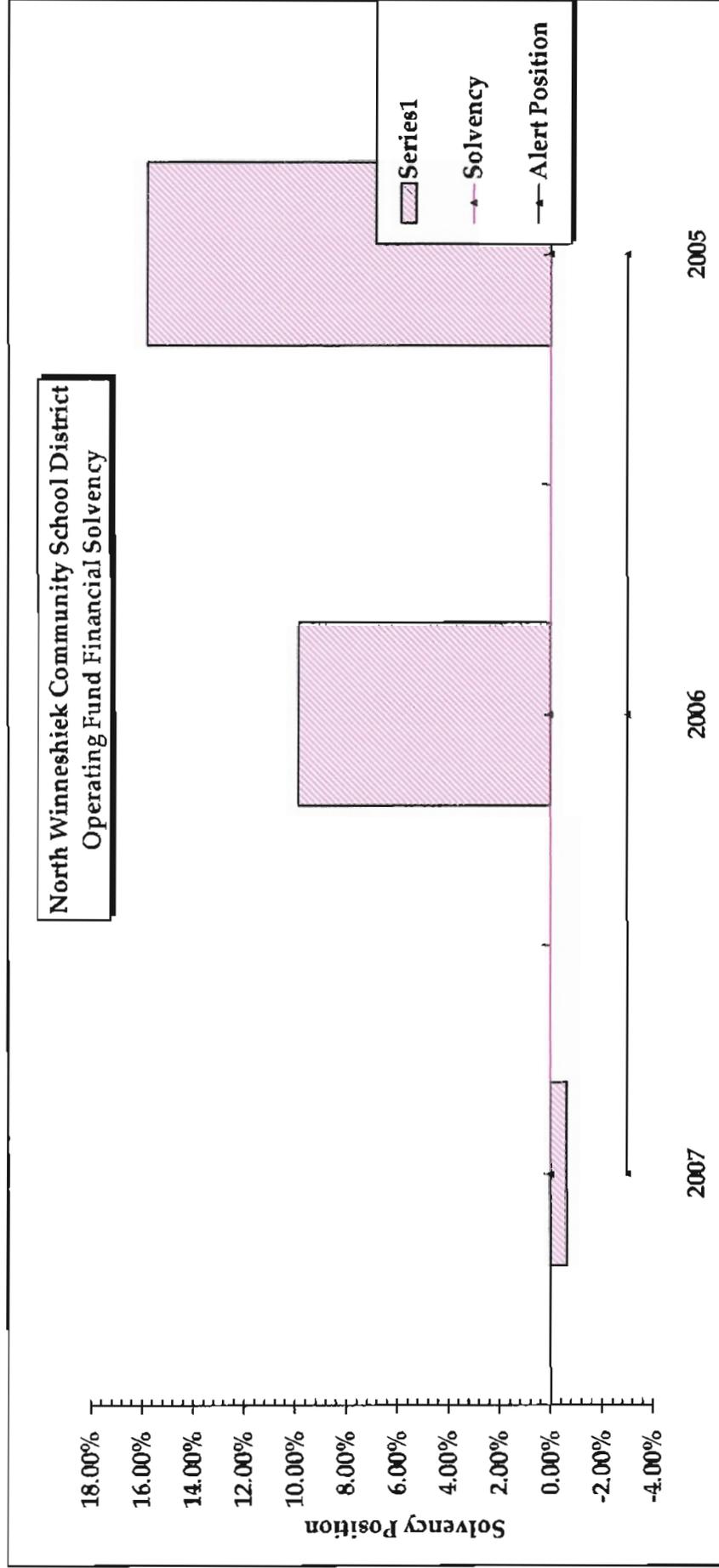
**NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT**  
**Comparison of General Fund Expenditures**

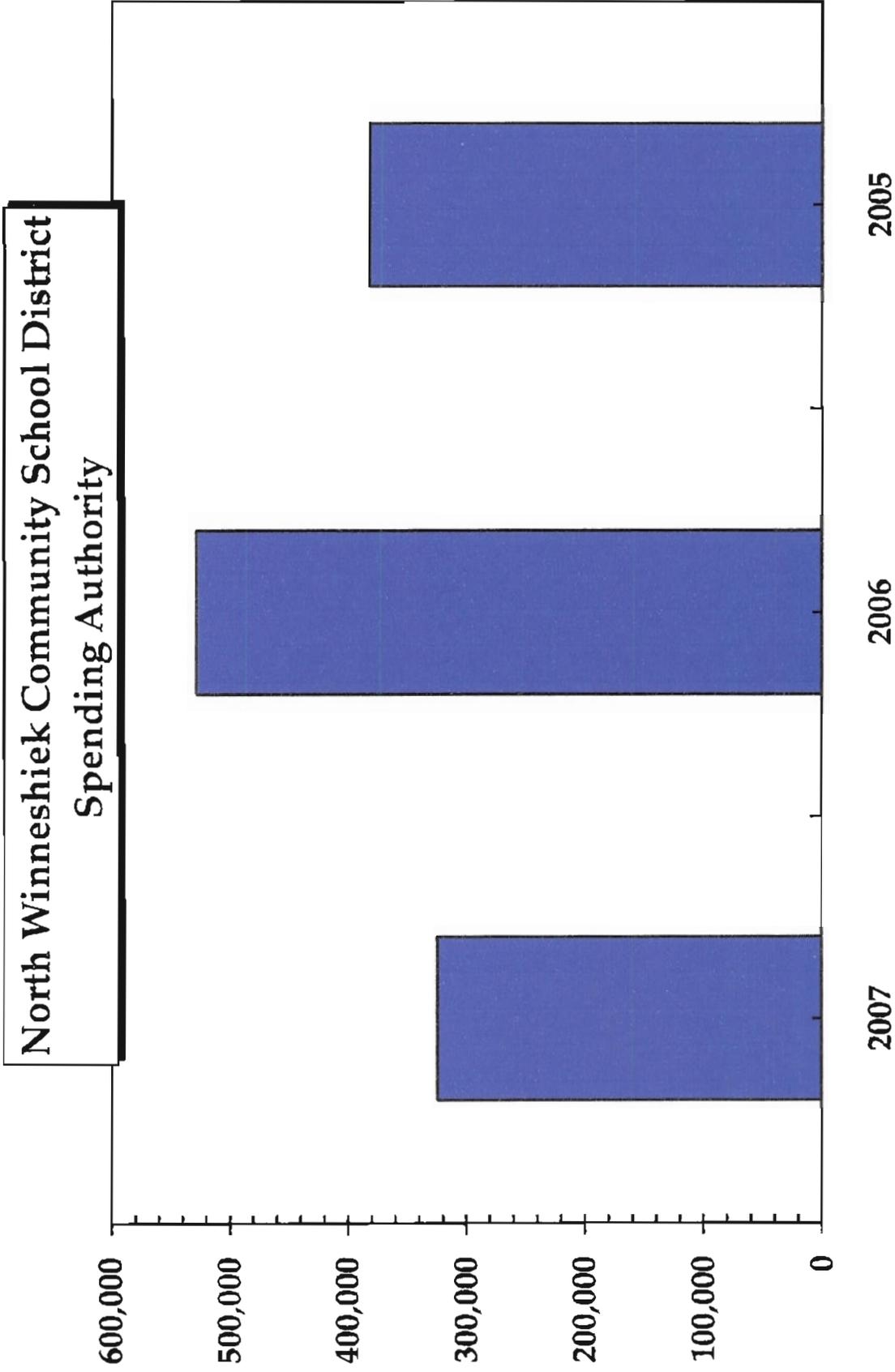


See Independent Auditor's Report on the Supplementary Information.

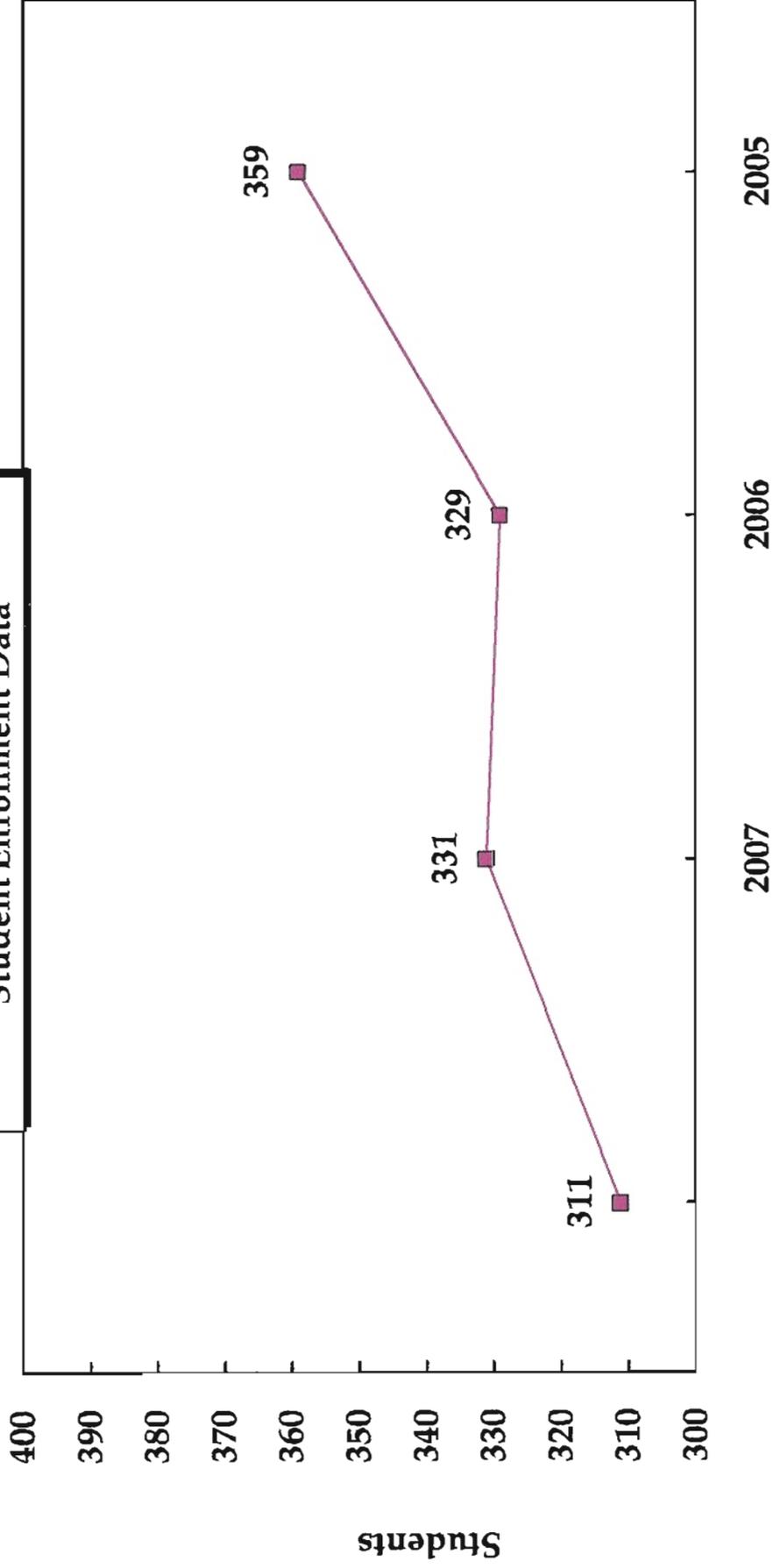
**NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
General Fund Expenditure Analysis Year Ended June 30, 2007**







**North Winneshiek Community Schools  
Student Enrollment Data**



**Resource: Total School Enrollment, Not Certified Enrollment, Line 11 of  
Certified Enrollment Form**

**\* estimated enrollment**

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Winneshiek Community School District as of and for the year ended June 30, 2007, which collectively comprise North Winneshiek Community School District's basic financial statements and have issued our report thereon dated November 8, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Winneshiek Community School District's internal control over financial reporting 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 North Winneshiek Community School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of North 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 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.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the North Winneshiek Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the North Winneshiek Community School District's financial statements that is more than inconsequential will not be prevented or detected by the North Winneshiek Community School District's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

1. Financial Report Preparation

Reporting financial data reliably in accordance with generally accepted accounting principles requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Obtaining additional generally accepted accounting principles knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in their ability to prepare and take responsibility for reliable generally accepted accounting principles financial statements.

Response

Management is cognizant of this limitation.

Conclusion

Response acknowledged.

2. Overlapping Duties

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

Response

Management is cognizant of this limitation.

Conclusion

Response acknowledged.

A material weakness is a 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 North 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, we believe none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Winneshiek Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of North Winneshiek Community School District in a separate letter dated November 8, 2007.

North Winneshiek Community School District's response to the findings identified in our audit is described above. We did not audit North Winneshiek Community School District's response and, accordingly, we express no opinion on it.

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

*Hadron, Nelson + Co., P.C.*

Decorah, Iowa  
November 8, 2007

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**MANAGEMENT LETTER**

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

In planning and performing our audit of the financial statements of North Winneshiek Community School District for the year ended June 30, 2007, we considered the District's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the District's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 thru 9 below are compliance comments required by the Iowa Auditor of State. A separate report dated November 8, 2007 contains our report on significant deficiencies in the District's internal control. This letter does not affect our report dated November 8, 2007, on the financial statements of the North Winneshiek Community School District. Comment numbers 1 and 10 are repeat comments from the prior year. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions.

1. Certified Budget

Disbursements for the year ended June 30, 2007, exceeded the amounts budgeted in the instructional and other functional areas.

Recommendation

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

Response

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

Conclusion

Response accepted.

2. Questionable Disbursements

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

3. Travel Expense

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

4. Business Transactions

We noted no business transactions between the District and District officials and/or employees for the year ended June 30, 2007.

5. Bond Coverage  
Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes  
We noted no transactions requiring Board approval, which had not been, approved by the Board. We also noted no minutes and bills that had not been published as required.
7. Certified Enrollment  
No variances in the basic enrollment data certified to the Department of Education were noted.
8. Deposits and Investments  
A resolution naming official depository banks has been approved by the Board. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2007.  
Recommendation  
We recommend depository amounts be monitored to prevent exceeding the resolution. The Board should reconsider the amount that is necessary to be set for the depository resolution.  
Response  
The Board approved maximum deposit limits will be adjusted in order to remain at an acceptable amount.  
Conclusion  
Response accepted.
9. Certified Annual Report  
The Certified Annual Report (CAR) was certified to the Iowa Department of Education timely.
10. Property and Equipment Records  
Property journal totals have not been reconciled to balance additions and deletions to the subsidiary ledger. We recommend that this procedure be implemented. In addition, to facilitate the proper insurance, maintenance and safeguarding of these assets, an inventory of all property and equipment should be taken at least once each year and checked against the capital assets records. The District also needs to calculate depreciation expense on the appropriate capital assets. The entries have been made to the financial statements.  
Recommendation  
We recommend that management update its property records and record the results in the governmental activities.  
Response  
Deb Jones is in charge of maintaining the District's inventoried items. Annually, she will update the inventoried items throughout the District. She is excited at the challenge of this opportunity.  
Conclusion  
Response accepted.

11. Disbursements

During our audit, we noticed various items that were not in compliance with District procedures. We noted two invoices were not cancelled and there was not a supporting purchase order with signature authorization for three general fund disbursements purchases. There were four substitute teacher's timesheets that were not signed, verifying authorization. There was no record of an approved pay rate for a substitute employee.

Recommendation

We recommend that all invoices have supporting documents and be properly cancelled to avoid double payment. We also recommend that the purchase order be signed and attached to all applicable disbursements. We recommend all employees have a record of an approved pay rate as well as approval for all time sheets.

Response

The District office will make sure:

- That all invoices have supporting documents and that invoices will be properly cancelled to avoid double payment.
- That all purchase orders are signed and are attached to all applicable disbursements.
- That all employees have a record of an approved pay rate as well as approval for all time sheets.

Conclusion

Response accepted.

12. Fund Balance/ Net Assets Deficit

For the fiscal year ended June 30, 2007, expenditures in the general fund and expenses in the school nutrition fund exceeded revenues by \$312,362 and \$5,378 respectively, causing a deficit balance in the general fund and school nutrition fund as of June 30, 2007.

Recommendation

The District should revisit its budget plan to ensure that revenues in the general fund and school nutrition fund are greater than their respective expenditures and expenses for the fiscal year June 30, 2008. The District should also devise a plan to ensure a positive balance in the general fund and the school nutrition fund.

Response

The District has increased revenues over the previous fiscal year and has made significant staffing adjustments in order to make sure that the general and nutrition funds will be in a positive balance in FY08.

Conclusion

Response accepted.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of North Winneshiek Community School District during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Hatch, Nelson & Co., P.C.*