

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
CRESCO, IOWA

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

JUNE 30, 2008

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	7-17
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A Statement of Net Assets	20-21
B Statement of Activities	22-25
Governmental Fund Financial Statements:	
C Balance Sheet	26
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	27
E Statement of Revenues, Expenditures and Changes in Fund Balances	28-29
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	30
Proprietary Fund Financial Statements:	
G Statement of Net Assets	31
H Statement of Revenues, Expenses and Changes in Net Assets	32
I Statement of Cash Flows	33-34
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Net Assets	35
Notes to Financial Statements	36-50
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds	52
Notes to Required Supplementary Information – Budgetary Reporting	53
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	56
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	57-58
3 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	59
4 Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	60
5 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	61
6 Schedule of Expenditures of Federal Awards	62-63
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	64-65

TABLE OF CONTENTS
(continued)

	Page
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	66-67
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	68-71

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2007 Election)		
Donald J. Conway	President	2009
Marilyn Reis	Vice President	2007
Jan Carman	Board Member	2008
Randall Richter	Board Member	2008
Duane Bodermann	Board Member	2009
<u>Board of Education</u>		
(After September 2007 Election)		
Donald J. Conway	President	2009
Marilyn Reis	Vice President	2011
Jan Carman	Board Member	2008
Randall Richter	Board Member	2008
Duane Bodermann	Board Member	2009
<u>School Officials</u>		
Brian Ney	Superintendent	2008
Janet Kreitzer	District Secretary/Treasurer	2008
Gruhn Law Firm	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Howard-Winneshiek Community School District, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the District's officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Howard-Winneshiek Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2009 on our consideration of Howard-Winneshiek Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 7 through 17 and 52 through 53 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Howard-Winneshiek Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
February 6, 2009

Howard-Winneshiek Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

The Howard-Winneshiek Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. Financial statements include a Change in Net Assets, a Condensed Statement of Net Assets and a Statement of Activities, which provide information about the activities of the District as a whole and present a long term view of the District's finances.

Financial Highlights

Factors Affecting 2008 Financial Statement ending June 30, 2008

The District's revenues totaled \$16,521,534 for the year ended June 30, 2008, a 5.1 percent increase from the prior year. Revenues included \$6,877,863 in local tax, charges for service of \$1,173,488, operating grants and contributions of \$2,001,410, capital grants and contributions of \$498,254, unrestricted interest of \$213,000 and other general revenues of \$5,757,519.

Expenses for the District operations totaled \$15,327,777, a 4.7 percent increase from the prior year. Expenses included \$8,661,368 for instruction, \$1,480,338 for administration, and \$1,296,608 for operation and maintenance.

General Fund revenues increased from \$12,379,554 to \$12,861,010 (\$481,456 difference) in fiscal year 2008 while General Fund expenditures increased from \$12,416,015 to \$13,025,281 (\$609,266 difference) in fiscal year 2008.

The increase in General Fund revenues was attributable to increases in local property taxes and state sources. The increase in expenditures was due primarily to an increase in energy costs, transportation services, and salary and benefit costs.

Overview of the Financial Statements

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

District-wide Financial Statements

The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid. Net assets and how they have changed are one way to measure the District's financial health or position.

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

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

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

Fund Financial Statements

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

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

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

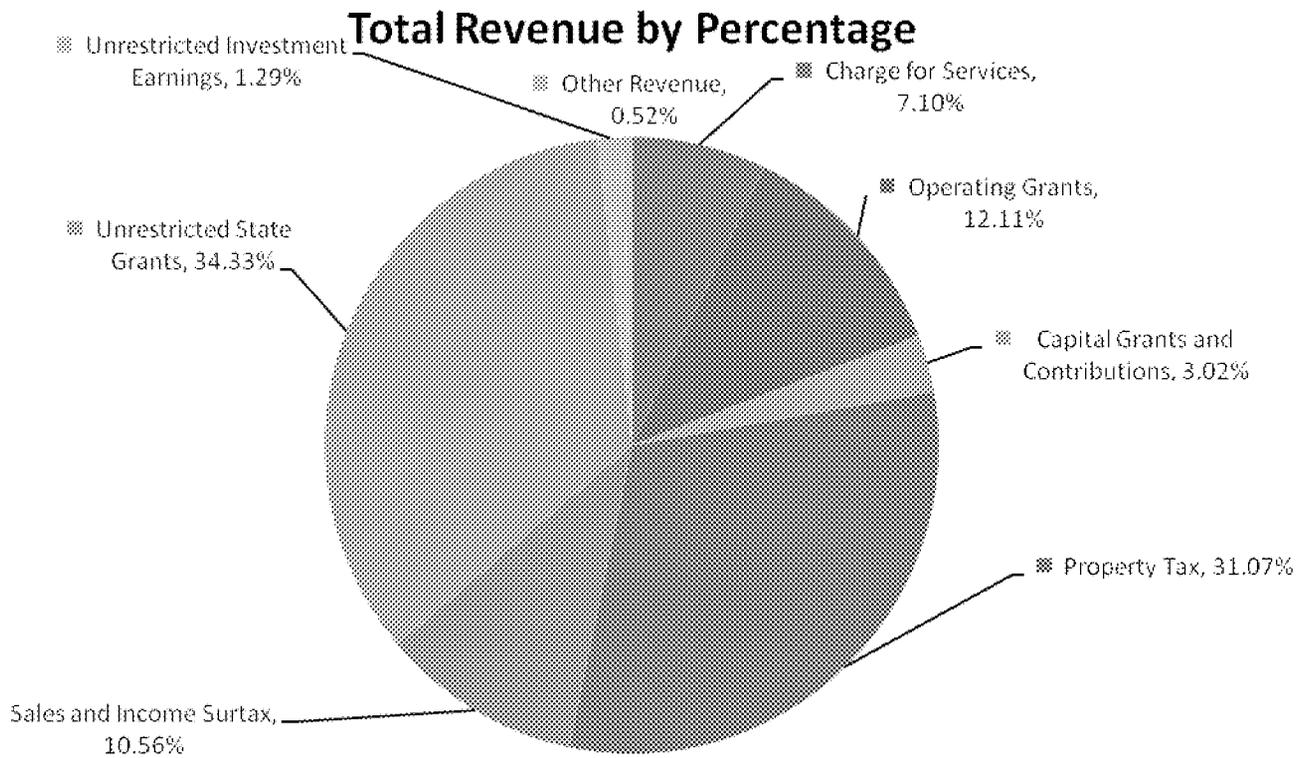
The School District as a Whole

Overall district wide net assets improved \$1,193,757 for the year. Total revenues increased by 5.15 percent from the prior year and expenses increased by 4.71 percent from the prior year, the District continues to retire debt at a faster rate than capital assets are depreciating.

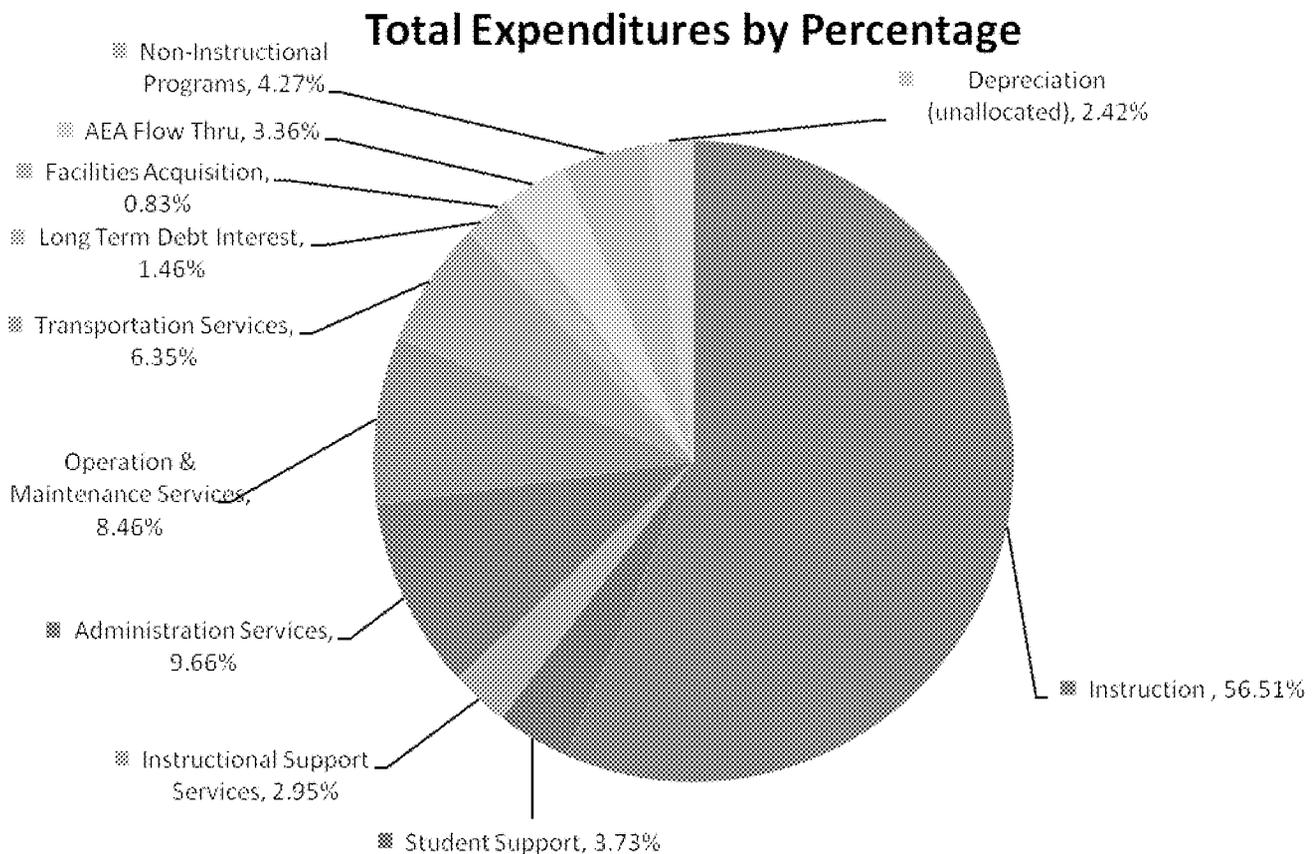
The following is a summary perspective of the statement of net assets of the District as a whole for the year ending June 30, 2008. The Howard-Winneshiek Community School District's net assets at the end of the fiscal year 2008 totaled \$11,895,810.

	Changes in Net Assets						Total Percentage Change
	Governmental Activities		Business-type Activities		Total		
	2007	2008	2007	2008	2007	2008	
Revenue							
Program Revenue							
Charge for Services	728,551	796,021	372,516	377,467	1,101,067	1,173,488	6.58%
Operating Grants	1,714,016	1,742,972	269,561	258,438	1,983,577	2,001,410	0.90%
Capital Grants and Contributions	322,727	473,485		24,769	322,727	498,254	54.39%
General Revenue							
Property Taxes	4,852,961	5,133,149			4,852,961	5,133,149	5.77%
Sales and Income Surtax	1,571,313	1,744,714			1,571,313	1,744,714	11.04%
Unrestricted State Grants	5,503,935	5,672,103			5,503,935	5,672,103	3.06%
Unrestricted Investment Earnings	216,271	210,790	1,440	2,210	217,711	213,000	-2.16%
Other Revenue	159,453	85,416			159,453	85,416	-46.43%
Total Revenue	15,069,227	15,858,650	643,517	662,884	15,712,744	16,521,534	5.15%
Program Expense							
Instruction	8,281,629	8,661,368			8,281,629	8,661,368	4.59%
Student Support	484,839	547,260	20,297	25,075	505,136	572,335	13.30%
Instructional Support Services	604,306	452,757			604,306	452,757	-25.08%
Administration Services	1,302,108	1,466,283	31,105	14,055	1,333,213	1,480,338	11.04%
Operation & Maintenance Services	1,181,613	1,296,608	3,897		1,185,510	1,296,608	9.37%
Transportation Services	816,842	973,741			816,842	973,741	19.21%
Long Term Debt Interest	150,070	223,926			150,070	223,926	49.21%
Facilities Acquisition	311,329	126,674			311,329	126,674	-59.31%
AEA Flow Thru	485,091	515,279			485,091	515,279	6.22%
Non-Instructional Programs	25,399	39,324	602,715	614,958	628,114	654,282	4.17%
Depreciation (unallocated)	336,969	370,469			336,969	370,469	9.94%
Total Expenses	13,980,195	14,673,689	658,014	654,088	14,638,209	15,327,777	4.71%
Change in net assets	1,089,032	1,184,961	-14,497	8,796	1,074,535	1,193,757	
NET ASSETS beginning of year	9,539,664	10,628,696	87,854	73,357	9,627,518	10,702,053	
NET ASSETS End of Year	\$ 10,628,696	\$ 11,813,657	\$ 73,357	\$ 82,153	\$ 10,702,053	\$ 11,895,810	

The following chart indicates total District Revenue by percentage for 2007-2008:



The following chart indicates total District Expenses by percentage for 2007-2008:



Condensed Statement of Net Assets

A comparative analysis of fiscal year 2007 to 2008 follows:

	Condensed Statement of Net Assets						Total Percentage Change
	Governmental Activities		Business-Type Activities		Total		
	2007	2008	2007	2008	2007	2008	
Current and Other Assets	\$10,610,075	\$10,919,303	\$69,252	\$61,862	\$10,679,327	\$10,981,165	2.83%
Capital Assets	9,332,186	11,240,464	43,907	59,197	\$9,376,093	\$11,299,661	20.52%
Total Assets	19,942,261	22,159,767	113,159	121,059	20,055,420	22,280,826	11.10%
Long-Term Obligations	2,878,355	4,306,364	0	0	\$2,878,355	\$4,306,364	49.61%
Other Liabilities	6,435,210	6,039,746	39,802	38,906	\$6,475,012	\$6,078,652	-6.12%
Total Liabilities	9,313,565	10,346,110	39,802	38,906	9,353,367	10,385,016	11.03%
Invested in Capital Assets net of related debt	6,457,186	7,164,100	43,907	59,197	\$6,501,093	\$7,223,297	11.11%
Restricted	2,143,976	2,709,146			\$2,143,976	\$2,709,146	26.36%
Unrestricted	2,027,534	1,940,411	29,450	22,956	\$2,056,984	\$1,963,367	-4.55%
Total Net Assets	\$10,628,696	\$11,813,657	\$73,357	\$82,153	\$10,702,053	\$11,895,810	11.15%

Financial Analysis of the District's Funds

The District's governmental funds reported combined fund balances of **\$4,234,440** a **\$675,864** increase from the 2007 fiscal year end balance of **\$3,558,576**. The primary reason for the increase in combined fund balance for fiscal year 2008 was due to the increase in the Capital Projects Fund and the Non-major Governmental Funds, Management Levy and Debt Service. The District's General Fund (including the Instructional Support program) end of year cash balance decreased \$345,945 to \$2,446,399 from the 2007 fiscal year end cash balance of \$2,792,344. The Capital Projects Fund increase in revenue was due to the sale of bonds and federal grants. The Capital Projects Fund expenses increased due to the completed construction of the Cresco Early Childhood Center and the Elma Early Childhood addition.

Proprietary Fund Highlights

In fiscal 2008 the revenues of the District's food service activities were \$639,515 and expenses were \$629,013. The School Nutrition Fund net assets increased \$10,502 in fiscal year 2008. The District received \$32,785 in federal commodities.

Budgetary Highlights

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

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

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

The following table shows the original and amended budget for the fiscal year 2008 as well as actual revenues and expenditures for the year:

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds - Actual	Funds - Actual		Original	Final	
REVENUES:						
Local sources	\$ 7,745,807	\$ 412,163	\$ 8,157,970	\$ 7,845,548	\$ 7,845,548	\$ 312,422
State sources	7,066,374	6,828	7,073,202	7,059,757	7,059,757	13,445
Federal sources	984,220	243,893	1,228,113	687,500	687,500	540,613
Total revenues	<u>15,796,401</u>	<u>662,884</u>	<u>16,459,285</u>	<u>15,592,805</u>	<u>15,592,805</u>	<u>866,480</u>
EXPENDITURES/EXPENSES:						
Instruction	8,546,096	-	8,546,096	9,611,714	9,611,714	1,065,618
Support services	4,614,341	39,130	4,653,471	4,887,767	4,887,767	234,296
Non-instructional programs	9,324	614,958	624,282	629,000	750,000	125,718
Other expenditures	4,076,326	-	4,076,326	4,713,717	4,713,717	637,391
Total expenditures/expenses	<u>17,246,087</u>	<u>654,088</u>	<u>17,900,175</u>	<u>19,842,198</u>	<u>19,963,198</u>	<u>2,063,023</u>
Excess (deficiency) of revenues over (under) expenditures/ expenses	(1,449,686)	8,796	(1,440,890)	(4,249,393)	(4,370,393)	2,929,503
Other financing sources, net	<u>2,125,550</u>	-	<u>2,125,550</u>	<u>5,000</u>	<u>5,000</u>	<u>2,120,550</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	675,864	8,796	684,660	(4,244,393)	(4,365,393)	5,050,053
Balance beginning of year	<u>3,558,576</u>	<u>73,357</u>	<u>3,631,933</u>	<u>4,926,013</u>	<u>4,926,013</u>	<u>(1,294,080)</u>
Balance end of year	<u>\$ 4,234,440</u>	<u>\$ 82,153</u>	<u>\$ 4,316,593</u>	<u>\$ 681,620</u>	<u>\$ 560,620</u>	<u>\$ 3,755,973</u>

Capital Assets and Debt Administration

Capital Assets

At the end of the 2008 fiscal year, the District had invested \$11,299,661, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, Cresco Early Childhood Center, vehicles, technology and computers, classroom equipment and transportation equipment. This amount represents a net increase of \$1,923,568 or positive 20.52 percent from last year. More detailed information about capital assets is available in the Capital Assets chart below. Total depreciation expense for the year (excluding land) was \$539,854.

Capital Assets, (net of depreciation)

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2007	2008	2007	2008	2007	2008	2007-08
Land (not being depreciated)	546,802	564,802			546,802	564,802	3.29%
Buildings	7,442,046	9,722,242			7,442,046	9,722,242	30.64%
Improvements other than buildings	319,236	291,988			319,236	291,988	-8.54%
Furniture and Equipment	540,153	482,996	43,907	59,197	584,060	542,193	-7.17%
Construction in Progress	483,949	178,436	0		483,949	178,436	-63.13%
Total	9,332,186	11,240,464	43,907	59,197	9,376,093	11,299,661	20.52%

Long-Term Debt

At June 30, 2008, the District had \$4,306,364 in general obligation and other long-term debt outstanding. This represents an increase of 49.61% from last year. More detailed information about the District's long-term liabilities is available in the District's audit report Note 5 to the financial statements.

Outstanding Long-Term Obligations

	Total	Total	Total
	School District	School District	% Change
	2008	2007	2007-08
Early Retirement	230,000	3,355	6755.44%
General Obligation Bonds	1,090,000	1,605,000	-32.09%
Local Option Sales and Service Tax Revenue Bonds	2,081,364	150,000	1287.58%
Capital Lease Purchase Agreement	905,000	1,120,000	-19.20%
Totals	<u>4,306,364</u>	<u>2,878,355</u>	<u>49.61%</u>

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

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

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

The District also has outstanding long term obligations payable from local option sales and tax revenue bonds, physical plant and equipment fund, and capital project funds as of June 30, 2008.

Factors Bearing on the District's Future

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

- Revenue received by the State of Iowa continues to be less than original projections. For fiscal year 2009 budget, state aid will fund 73% of the \$5,456 the District spends per student. Any reduction in state aid would adversely impact the District's ability to fund program and services at current levels.
- House File 729 IPERS (Iowa Public Employees' Retirement System) increased contributions for regular members by one-half percentage point a year for four years, beginning July 1, 2007 (fiscal year 2008). Employees contributions will increase from 3.90% to 4.10% and the employer's share increases from 6.05% to 6.35% effective July 1, 2008.
- District enrollment projections point to a decline in enrollment for fiscal year 2008-09 because of a large graduating class. Future enrollment stability is a critical element in maintaining a sound financial foundation. The District has reserved spending authority to handle a short-term dip in revenue. However, once the decline reaches a certain level the Board of Education will be faced with the challenge of reducing staff and/or programs or closing buildings to maintain a positive solvent position as well as unspent balance budget authority.
- The Elma Elementary Early Childhood Center addition to the school is scheduled to open near the beginning of the 08-09 school year. The community has made a financial commitment for operation of a year round daycare center and will pay a monthly rental fee to the district. The Northeast Iowa Community Action Corporation has entered into an agreement with the district to provide services to Federal Head Start eligible three or four-year-old children in the Elma area. The monthly rental fees will be applied to the additional utility and maintenance costs.
- The district will experience its first year of maintenance and operational costs for the Crestwood Early Childhood Development Center building and site. The district has entered into a 28E Agreement with Howard County Child Care Association known as Kessel Kids Child Care and Learning Center. The District will receive donations to Kessel by private or corporate entities as well as funds from the sale of the Kessel building. In consideration to Kessel Kids for selling their existing building and giving the proceeds and the donations to the District, Kessel Kids will be allowed to operate in perpetuity. In addition, a 28E Agreement has also been entered into with Northeast Iowa Community Action Corporation to provide Head Start at the facility. Both entities will pay a monthly rental fee to apply to the utility and maintenance costs of the new building and site.
- The passage of the State Penny for School Infrastructure by the 2008 Iowa Legislature means that the Board will need to hold a special election to vote on a school district revenue purpose statement. Our current statement does not include language for the purchase, lease or lease-purchase of buildings or equipment (including transportation, technology and recreation equipment) as authorized by law.
- The District negotiated a one year contract with the Howard-Winneshiek Education Association (HWEA) effective July 1, 2008 through June 30, 2009; the Howard-Winneshiek Clerical Association for two years beginning July 1, 2007, and ending June 30, 2009. The AFSCME/Council 61 (Howard-Winneshiek Bus Drivers) contract beginning July 1, 2008 and ending June 30, 2010. Salaries and benefits have historically accounted for 77% to 80% of each years general fund budget.
- The school enterprise (food service program) revenues and expenses will need to be closely monitored as school building enrollment continues to decrease. An increase in breakfast and lunch ticket prices may be necessary to avoid general fund dollars subsidizing the program.

- In May, 2003, the patrons of the District approved a Howard County 1 cent local sales and services tax for school infrastructure projects which includes the payment or retirement of bonds previously issued for school infrastructure. The Board of Education voted to use \$300,000 of the proceeds for debt service tax levy reduction in 2009.
- The Board entered into a one year business lease agreement effective May 1, 2008, for the Daley gymnasium complex. The agreement includes the gymnasium and all rooms in the building. The alternative school will move from their current rented facility in the downtown business district to the complex. The district will need to scrutinize operation cost. The agreement clause specifies that if a major repair such as plumbing or sewer failure occurs it would be up to the district to repair it or decide that we can no longer continue to use the building.
- The District received notification from the Iowa Association of School Boards property insurance policy provider (Employer's Mutual Insurance Company) asking the District to submit a plan for repairing the high school building roof. The local option sales and service tax will need to be used to fund this major repair. Specifications and bidding documents will need to be developed to re-roof the building.

Contacting the District's Financial Management

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

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Basic Financial Statements

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 5,030,179	\$ 32,471	\$ 5,062,650
Receivables:			
Property tax:			
Current year	85,403	-	85,403
Succeeding year	4,636,000	-	4,636,000
Income surtax	694,724	-	694,724
Accrued interest	1,277	-	1,277
Accounts	6,244	2,488	8,732
Due from other governments	465,476	4,856	470,332
Inventories	-	22,047	22,047
Capital assets, net of accumulated depreciation (note 4)	11,240,464	59,197	11,299,661
Total assets	22,159,767	121,059	22,280,826
Liabilities			
Accounts payable	125,117	390	125,507
Salaries and benefits payable	1,225,984	33,910	1,259,894
Accrued interest payable	49,607	-	49,607
Deferred revenue:			
Succeeding year property tax	4,636,000	-	4,636,000
Other	3,038	4,606	7,644
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	115,000	-	115,000
Bonds payable	755,000	-	755,000
Capital lease purchase agreement	225,000	-	225,000
Portion due after one year:			
Early retirement	115,000	-	115,000
Bonds payable	2,416,364	-	2,416,364
Capital lease purchase agreement	680,000	-	680,000
Total liabilities	10,346,110	38,906	10,385,016

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 7,164,100	\$ 59,197	\$ 7,223,297
Restricted for:			
Management levy	243,597	-	243,597
Physical plant and equipment levy	494,122	-	494,122
Other special revenue purposes	366,736	-	366,736
Debt service	70,978	-	70,978
Local option sales and services tax revenue bonds	191,500	-	191,500
Capital projects	1,304,113	-	1,304,113
State grants	38,100	-	38,100
Unrestricted	<u>1,940,411</u>	<u>22,956</u>	<u>1,963,367</u>
Total net assets	<u>\$ 11,813,657</u>	<u>\$ 82,153</u>	<u>\$ 11,895,810</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 8,661,368	\$ 576,740	\$ 1,102,650	\$ -
Support services:				
Student services	547,260	187,778	27,783	-
Instructional staff services	452,757	-	10,400	-
Administration services	1,466,283	-	-	-
Operation and maintenance of plant services	1,296,608	8,498	-	-
Transportation services	973,741	23,005	86,860	-
	<u>4,736,649</u>	<u>219,281</u>	<u>125,043</u>	<u>-</u>
Non-instructional programs	39,324	-	-	-
Other expenditures:				
Facilities acquisition	126,674	-	-	473,485
Long-term debt interest and fiscal charges	223,926	-	-	-
AEA flowthrough	515,279	-	515,279	-
Depreciation (unallocated) *	370,469	-	-	-
	<u>1,236,348</u>	<u>-</u>	<u>515,279</u>	<u>473,485</u>
Total governmental activities	<u>14,673,689</u>	<u>796,021</u>	<u>1,742,972</u>	<u>473,485</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (6,981,978)	\$ -	\$ (6,981,978)
(331,699)	-	(331,699)
(442,357)	-	(442,357)
(1,466,283)	-	(1,466,283)
(1,288,110)	-	(1,288,110)
(863,876)	-	(863,876)
(4,392,325)	-	(4,392,325)
(39,324)	-	(39,324)
346,811	-	346,811
(223,926)	-	(223,926)
-	-	-
(370,469)	-	(370,469)
(247,584)	-	(247,584)
(11,661,211)	-	(11,661,211)

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Support services:				
Student services	\$ 25,075	\$ 13,547	\$ 7,717	\$ -
Administration services	14,055	-	-	-
	<u>39,130</u>	<u>13,547</u>	<u>7,717</u>	<u>-</u>
Non-instructional programs:				
Food service operations	614,958	363,920	250,721	24,769
	<u>614,958</u>	<u>363,920</u>	<u>250,721</u>	<u>24,769</u>
Total business-type activities	<u>654,088</u>	<u>377,467</u>	<u>258,438</u>	<u>24,769</u>
Total	<u>\$ 15,327,777</u>	<u>\$ 1,173,488</u>	<u>\$ 2,001,410</u>	<u>\$ 498,254</u>

General Revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
Income surtax
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ -	\$ (3,811)	\$ (3,811)
-	(14,055)	(14,055)
-	(17,866)	(17,866)
-	24,452	24,452
-	6,586	6,586
(11,661,211)	6,586	(11,654,625)
\$ 4,724,178	\$ -	\$ 4,724,178
281,680	-	281,680
127,291	-	127,291
885,491	-	885,491
859,223	-	859,223
5,672,103	-	5,672,103
210,790	2,210	213,000
85,416	-	85,416
12,846,172	2,210	12,848,382
1,184,961	8,796	1,193,757
10,628,696	73,357	10,702,053
\$ 11,813,657	\$ 82,153	\$ 11,895,810

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and pooled investments	\$ 2,446,399	\$ 1,207,554	\$ 1,376,226	\$ 5,030,179
Receivables:				
Property tax:				
Current year	72,876	-	12,527	85,403
Succeeding year	3,909,000	-	727,000	4,636,000
Income surtax	505,254	-	189,470	694,724
Accrued interest	-	-	1,277	1,277
Accounts	6,123	-	121	6,244
Due from other governments	282,467	183,009	-	465,476
Total assets	\$ 7,222,119	\$ 1,390,563	\$ 2,306,621	\$ 10,919,303
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 90,586	\$ 33,381	\$ 1,150	\$ 125,117
Salaries and benefits payable	1,225,984	-	-	1,225,984
Deferred revenue:				
Succeeding year property tax	3,909,000	-	727,000	4,636,000
Other	508,292	-	189,470	697,762
Total liabilities	5,733,862	33,381	917,620	6,684,863
Fund balance:				
Reserved for:				
State grants	38,100	-	-	38,100
Debt service	-	-	41,258	41,258
Local option sales and services tax revenue bonds	-	15,000	176,500	191,500
Local option sales and services tax bond sinking fund	-	-	37,895	37,895
Unreserved:				
Reported in nonmajor Special Revenue Funds	-	-	1,133,348	1,133,348
Undesignated	1,450,157	1,342,182	-	2,792,339
Total fund balances	1,488,257	1,357,182	1,389,001	4,234,440
Total liabilities and fund balances	\$ 7,222,119	\$ 1,390,563	\$ 2,306,621	\$ 10,919,303

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2008

Total fund balances of governmental funds	\$ 4,234,440
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.	11,240,464
Other long-term assets, including income surtax receivables, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	694,724
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(49,607)
Long-term liabilities, including bonds payable, capital lease purchase agreements, and early retirement payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,306,364)</u>
Net assets of governmental activities	<u>\$ 11,813,657</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 4,878,461	\$ 859,223	\$ 1,074,988	\$ 6,812,672
Tuition	204,089	-	-	204,089
Other	188,863	92,921	447,262	729,046
State sources	7,065,862	-	512	7,066,374
Federal sources	523,735	460,485	-	984,220
Total revenues	<u>12,861,010</u>	<u>1,412,629</u>	<u>1,522,762</u>	<u>15,796,401</u>
Expenditures:				
Current:				
Instruction	8,156,177	-	389,919	8,546,096
Support services:				
Student services	522,259	-	-	522,259
Instructional staff services	452,757	-	-	452,757
Administration services	1,385,550	18,041	3,867	1,407,458
Operation and maintenance of plant services	1,141,629	-	116,554	1,258,183
Transportation services	851,630	-	122,054	973,684
	<u>4,353,825</u>	<u>18,041</u>	<u>242,475</u>	<u>4,614,341</u>
Non-instructional programs	-	-	9,324	9,324
Other expenditures:				
Facilities acquisition	-	2,425,359	20,997	2,446,356
Long term debt:				
Principal	-	-	923,636	923,636
Interest and fiscal charges	-	34,309	156,746	191,055
AEA flowthrough	515,279	-	-	515,279
	<u>515,279</u>	<u>2,459,668</u>	<u>1,101,379</u>	<u>4,076,326</u>
Total expenditures	<u>13,025,281</u>	<u>2,477,709</u>	<u>1,743,097</u>	<u>17,246,087</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(164,271)</u>	<u>(1,065,080)</u>	<u>(220,335)</u>	<u>(1,449,686)</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General	Capital Projects	Nonmajor Governmental Funds	Total
Other financing sources (uses):				
Sale of equipment	\$ 550	\$ -	\$ -	\$ 550
Interfund transfers in (note 3)	-	-	1,009,719	1,009,719
Interfund transfers out (note 3)	-	(745,337)	(264,382)	(1,009,719)
Local option sales and services tax revenue bonds issued	-	2,125,000	-	2,125,000
Total other financing sources (uses)	<u>550</u>	<u>1,379,663</u>	<u>745,337</u>	<u>2,125,550</u>
Net change in fund balances	(163,721)	314,583	525,002	675,864
Fund balances beginning of year	<u>1,651,978</u>	<u>1,042,599</u>	<u>863,999</u>	<u>3,558,576</u>
Fund balances end of year	<u>\$ 1,488,257</u>	<u>\$ 1,357,182</u>	<u>\$ 1,389,001</u>	<u>\$ 4,234,440</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ 675,864

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 2,438,653	
Depreciation expense	<u>(530,375)</u>	1,908,278

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 61,699

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. (2,125,000)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 923,636

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. (32,871)

Some expenses, including early retirement, reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (226,645)

Change in net assets of governmental activities \$ 1,184,961

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	Enterprise		Total	Internal Service - Flexible Benefits
	School Nutrition	Nonmajor - Childcare		
Assets				
Cash and cash equivalents	\$ 13,161	\$ 19,310	\$ 32,471	\$ 2,671
Accounts receivable	1,344	1,144	2,488	-
Due from other governments	4,856	-	4,856	-
Inventories	22,047	-	22,047	-
Capital assets, net of accumulated depreciation	59,197	-	59,197	-
Total assets	100,605	20,454	121,059	2,671
Liabilities				
Accounts payable	385	5	390	-
Salaries and benefits payable	33,910	-	33,910	-
Deferred revenue	4,606	-	4,606	-
Total liabilities	38,901	5	38,906	-
Net Assets				
Invested in capital assets	59,197	-	59,197	-
Unrestricted	2,507	20,449	22,956	2,671
Total net assets	\$ 61,704	\$ 20,449	\$ 82,153	\$ 2,671

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	School Nutrition	Enterprise Nonmajor - Childcare	Total	Internal Service - Flexible Benefits
Operating revenues:				
Local sources:				
Charges for services	\$ 363,920	\$ 13,547	\$ 377,467	\$ 37,541
Operating expenses:				
Support services:				
Student services	-	25,075	25,075	-
Administration services	14,055	-	14,055	-
Non-instructional programs	614,958	-	614,958	39,736
	629,013	25,075	654,088	39,736
Operating loss	(265,093)	(11,528)	(276,621)	(2,195)
Non-operating revenues:				
Interest on investments	105	2,105	2,210	113
Contributions	24,769	7,717	32,486	-
State sources	6,828	-	6,828	-
Federal sources	243,893	-	243,893	-
Total non-operating revenues	275,595	9,822	285,417	113
Change in net assets	10,502	(1,706)	8,796	(2,082)
Net assets beginning of year	51,202	22,155	73,357	4,753
Net assets end of year	\$ 61,704	\$ 20,449	\$ 82,153	\$ 2,671

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	Enterprise		Total	Internal Service - Flexible Benefits
	School Nutrition	Nonmajor - Childcare		
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 346,091	\$ -	\$ 346,091	\$ -
Cash received from miscellaneous operating activities	20,218	14,422	34,640	40,876
Cash payments to employees for services	(299,376)	(23,531)	(322,907)	-
Cash payments to suppliers for goods or services	(286,740)	(2,426)	(289,166)	(39,736)
Net cash provided by (used by) operating activities	<u>(219,807)</u>	<u>(11,535)</u>	<u>(231,342)</u>	<u>1,140</u>
Cash flows from non-capital financing activities:				
Contributions received	-	7,717	7,717	-
State grants received	6,828	-	6,828	-
Federal grants received	211,668	982	212,650	-
Net cash provided by non-capital financing activities	<u>218,496</u>	<u>8,699</u>	<u>227,195</u>	<u>-</u>
Cash flows from investing activities:				
Interest on investments	<u>105</u>	<u>2,105</u>	<u>2,210</u>	<u>113</u>
Net increase (decrease) in cash and cash equivalents	(1,206)	(731)	(1,937)	1,253
Cash and cash equivalents beginning of year	<u>14,367</u>	<u>20,041</u>	<u>34,408</u>	<u>1,418</u>
Cash and cash equivalents end of year	<u>\$ 13,161</u>	<u>\$ 19,310</u>	<u>\$ 32,471</u>	<u>\$ 2,671</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	School Nutrition	Enterprise Nonmajor - Childcare	Total	Internal Service - Flexible Benefits
Reconciliation of operating loss to net cash provided by (used by) operating activities:				
Operating loss	\$ (265,093)	\$ (11,528)	\$ (276,621)	\$ (2,195)
Adjustments to reconcile operating loss to net cash provided by (used by) operating activities:				
Depreciation	9,479	-	9,479	-
Commodities used	32,785	-	32,785	-
Decrease in accounts receivable	528	875	1,403	3,335
Decrease in inventories	2,508	-	2,508	-
Increase (decrease) in accounts payable	385	(102)	283	-
(Decrease) in salaries and benefits payable	(2,260)	(780)	(3,040)	-
Increase in deferred revenue	1,861	-	1,861	-
Net cash provided by (used by) operating activities	<u>\$ (219,807)</u>	<u>\$ (11,535)</u>	<u>\$ (231,342)</u>	<u>\$ 1,140</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$32,785 of federal commodities and \$24,769 of capital contributions.

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008

	<u>Agency</u>
Assets:	
Cash and pooled investments	\$ <u>9,326</u>
Liabilities:	
Other payables	<u>9,326</u>
Net assets	\$ <u><u>-</u></u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

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

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

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2008 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

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

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

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Asset Class	Amount
Land	\$ -
Buildings	25,000
Improvements other than buildings	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

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

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

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

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

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2008.

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

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

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2008 consists of \$2,709,146.

E. Budgets and Budgetary Control

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

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 2. Cash and Pooled Investments (continued)

At June 30, 2008, the District had investments as follows:

	<u>Fair Value/ Amortized Cost</u>
Money market mutual funds	\$ 218,273
Iowa Schools Joint Investment Trust, Diversified Portfolio	<u>833,975</u>
	<u>\$ 1,052,248</u>

The investments in the Iowa Schools Joint Investment Trust, Diversified Portfolio are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the money market mutual funds are valued at fair value.

Credit Risk – The investments in the Iowa Schools Joint Investment Trust and money market mutual funds were rated Aaa by Moody’s Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 745,337
	Special Revenue: Physical Plant and Equipment Levy	<u>264,382</u>
Total		<u>\$ 1,009,719</u>

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

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 546,802	\$ 18,000	\$ -	\$ 564,802
Construction in progress	483,949	2,301,682	2,607,195	178,436
Total capital assets not being depreciated	<u>1,030,751</u>	<u>2,319,682</u>	<u>2,607,195</u>	<u>743,238</u>
Capital assets being depreciated:				
Buildings	12,338,369	2,607,195	-	14,945,564
Improvements other than buildings	551,722	16,222	-	567,944
Furniture and equipment	2,573,509	102,749	40,035	2,636,223
Total capital assets being depreciated	<u>15,463,600</u>	<u>2,726,166</u>	<u>40,035</u>	<u>18,149,731</u>
Less accumulated depreciation for:				
Buildings	4,896,323	326,999	-	5,223,322
Improvements other than buildings	232,486	43,470	-	275,956
Furniture and equipment	2,033,356	159,906	40,035	2,153,227
Total accumulated depreciation	<u>7,162,165</u>	<u>530,375</u>	<u>40,035</u>	<u>7,652,505</u>
Total capital assets being depreciated, net	<u>8,301,435</u>	<u>2,195,791</u>	<u>-</u>	<u>10,497,226</u>
Governmental activities capital assets, net	<u>\$ 9,332,186</u>	<u>\$ 4,515,473</u>	<u>\$ 2,607,195</u>	<u>\$ 11,240,464</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 332,180	\$ 24,769	\$ 5,481	\$ 351,468
Less accumulated depreciation	288,273	9,479	5,481	292,271
Business-type activities capital assets, net	<u>\$ 43,907</u>	<u>\$ 15,290</u>	<u>\$ -</u>	<u>\$ 59,197</u>

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

Governmental activities:	
Instruction	\$ 34,849
Support services:	
Administration	13,825
Operation and maintenance of plant services	8,426
Transportation	<u>102,806</u>
	159,906
Unallocated depreciation	<u>370,469</u>
Total governmental activities depreciation expense	<u>\$ 530,375</u>
Business-type activities:	
Food service operations	<u>\$ 9,479</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Early Retirement	General Obligation Bonds	Local Option Sales and Services Tax Revenue Bonds	Capital Lease Purchase Agreement	Total
Balance beginning of year	\$ 3,355	\$ 1,605,000	\$ 150,000	\$ 1,120,000	\$ 2,878,355
Additions	230,000	-	2,125,000	-	2,355,000
Reductions	3,355	515,000	193,636	215,000	926,991
Balance end of year	<u>\$ 230,000</u>	<u>\$ 1,090,000</u>	<u>\$ 2,081,364</u>	<u>\$ 905,000</u>	<u>\$ 4,306,364</u>
Due within one year	<u>\$ 115,000</u>	<u>\$ 535,000</u>	<u>\$ 220,000</u>	<u>\$ 225,000</u>	<u>\$ 1,095,000</u>

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible classified employees must be at least age fifty and must have completed fifteen years of full-time contracted service to the District. Eligible teachers must have at least twenty-five years of total teaching experience and must have ten consecutive years of full-time contracted service to the District. Employees must complete an application which is required to be approved by the Board of Education.

Each participating licensed teacher that has fifteen to twenty years of service to the District will receive \$20,000. Each participating licensed teacher that has twenty-one or more years of service to the District will receive \$25,000. Each participating classified employee will receive \$15,000. Any employee that is within one year of qualifying for a certain level of benefits may elect to participate in the plan and will be entitled to receive seventy-five percent of the level of benefits that the employee is within one year of being eligible to receive. Early retirement benefits will be paid into a tax deferred benefit plan in two equal payments in January 2009 and July 2009.

At June 30, 2008, the District has obligations to thirteen participants with a total liability of \$230,000. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$3,355. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 5. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	4.50 %	\$ 535,000	\$ 43,088	\$ 578,088
2010	4.50	555,000	18,788	573,788
		<u>\$ 1,090,000</u>	<u>\$ 61,876</u>	<u>\$ 1,151,876</u>

During the year ended June 30, 2008, the District retired \$515,000 of general obligation bonds.

Local Option Sales and Services Tax Revenue Bonds

Details of the District's June 30, 2008 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated November 1, 2001			
	Interest Rates	Principal	Interest	Total
2009	5.00 %	\$ 40,000	\$ 5,500	\$ 45,500
2010	4.30	40,000	3,500	43,500
2011	4.45	40,000	1,780	41,780
Subtotal		<u>120,000</u>	<u>10,780</u>	<u>130,780</u>

Year Ending June 30,	Issue dated August 1, 2007			
	Interest Rates	Principal	Interest	Total
2009	- %	\$ -	\$ 75,223	\$ 75,223
2010	4.25	125,000	75,223	200,223
2011	4.25	400,000	69,910	469,910
2012	4.25	400,000	52,910	452,910
2013	4.25	420,000	35,910	455,910
2014	4.30	420,000	18,060	438,060
Subtotal		<u>1,765,000</u>	<u>327,236</u>	<u>2,092,236</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 5. Long-Term Liabilities (continued)

Local Option Sales and Services Tax Revenue Bonds (continued)

Year Ending June 30,	Issue dated August 27, 2007		
	Principal	Interest	Total
2009	\$ 180,000	\$ -	\$ 180,000
2010	16,364	-	16,364
Subtotal	196,364	-	196,364
Total	\$ <u>2,081,364</u>	\$ <u>338,016</u>	\$ <u>2,419,380</u>

The District pledged future local option sales and services tax revenues to repay the \$2,275,000 bonds issued in June 2002 and August 2007. The bonds were issued for the purpose of financing school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 35 to 60 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$2,419,380. For the current year, principal and interest of \$231,979 was paid on the bonds and total local option sales and services tax revenues were \$859,223.

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

- (a) The bonds will be redeemed from the future earnings of the local option sales and services tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- (b) A reserve will be maintained in the amount of \$191,500 to be used solely for the purpose of paying principal and interest in the event the local option sales and services tax revenues are not sufficient for that purpose.
- (c) Sufficient monthly deposits amounting to one twelfth of the next principal payment and one sixth of the next interest payment shall be made to the Sinking Fund for the purpose of making the bond principal and interest payments when due for the issues dated in August, 2007.
- (d) Any monies remaining in the Reveue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 5. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement

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

Details of the District's June 30, 2008 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	4.35 %	\$ 225,000	\$ 40,352	\$ 265,352
2010	4.40	235,000	30,565	265,565
2011	4.50	245,000	20,226	265,226
2012	4.60	200,000	9,200	209,200
		<u>\$ 905,000</u>	<u>\$ 100,343</u>	<u>\$ 1,005,343</u>

During the year ended June 30, 2008, the District paid \$215,000 on the capital lease purchase agreement.

Note 6. Operating Lease

The District is obligated under a copier equipment lease accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations and, therefore, are not reflected on the District's Statement of Net Assets. The agreement provides for monthly lease payments of \$3,621 during the term of the lease.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Operating Lease (continued)

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 43,452
2010	43,452
2011	43,452
2012	<u>7,242</u>
	<u>\$ 137,598</u>

Total payments under the lease agreement for the year ended June 30, 2008 were \$43,118.

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$463,617, \$415,197, and \$403,761, respectively, equal to the required contributions for each year.

Note 8. Risk Management

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

Self Insurance –

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

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 8. Risk Management (continued)

Self Insurance (continued) –

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

The District paid \$1,748,444 in premiums to fund the plan July 1, 2007 to June 20, 2008. The total premiums paid into the plan by all nine Districts and retirees for the same period was \$11,791,254. The 28E organization's balance sheet as of June 30, 2008 is as follows:

Assets

Funds on hand	\$ <u>3,949,023</u>
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Liabilities and Fund Equity

Reserve for incurred but not reported claims and reported claims not yet paid	\$ 1,807,218
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Undesignated funds	<u>2,141,805</u>
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	<u>\$ 3,949,023</u>
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Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$515,279 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitments

The District has entered into various contracts totaling \$286,120 for an elementary school addition and an early childhood center playground. As of June 30, 2008, costs of \$107,274 had been incurred against the contracts. The balance of \$178,846 remaining at June 30, 2008 will be paid as work on the projects progresses.

Note 11. Subsequent Events

In July 2008, the District entered into a contract totaling \$212,000 to reroof a section of the high school roof.

In November 2008, the District entered into a contract totaling \$210,000 to reroof another section of the high school.

In November 2008, the District approved the purchase of three buses for \$201,536.

Required Supplementary Information

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
 Budget and Actual – All Governmental Funds
 and Proprietary Funds
 Required Supplementary Information
 Year Ended June 30, 2008

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 7,745,807	\$ 412,163	\$ 8,157,970	\$ 7,845,548	\$ 7,845,548	\$ 312,422
State sources	7,066,374	6,828	7,073,202	7,059,757	7,059,757	13,445
Federal sources	984,220	243,893	1,228,113	687,500	687,500	540,613
Total revenues	15,796,401	662,884	16,459,285	15,592,805	15,592,805	866,480
EXPENDITURES/EXPENSES:						
Instruction	8,546,096	-	8,546,096	9,611,714	9,611,714	1,065,618
Support services	4,614,341	39,130	4,653,471	4,887,767	4,887,767	234,296
Non-instructional programs	9,324	614,958	624,282	629,000	750,000	125,718
Other expenditures	4,076,326	-	4,076,326	4,713,717	4,713,717	637,391
Total expenditures/expenses	17,246,087	654,088	17,900,175	19,842,198	19,963,198	2,063,023
Excess (deficiency) of revenues over (under) expenditures/ expenses	(1,449,686)	8,796	(1,440,890)	(4,249,393)	(4,370,393)	2,929,503
Other financing sources, net	2,125,550	-	2,125,550	5,000	5,000	2,120,550
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	675,864	8,796	684,660	(4,244,393)	(4,365,393)	5,050,053
Balance beginning of year	3,558,576	73,357	3,631,933	4,926,013	4,926,013	(1,294,080)
Balance end of year	\$ <u>4,234,440</u>	\$ <u>82,153</u>	\$ <u>4,316,593</u>	\$ <u>681,620</u>	\$ <u>560,620</u>	\$ <u>3,755,973</u>

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2008

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$121,000.

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Other Supplementary Information

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Assets					
Cash and pooled investments	\$ 452,889	\$ 366,369	\$ 305,931	\$ 251,037	\$ 1,376,226
Receivables:					
Property tax:					
Current year	5,827	-	2,084	4,616	12,527
Succeeding year	316,000	-	156,000	255,000	727,000
Income surtax	-	-	189,470	-	189,470
Accrued interest	-	1,277	-	-	1,277
Accounts	-	121	-	-	121
Total assets	\$ <u>774,716</u>	\$ <u>367,767</u>	\$ <u>653,485</u>	\$ <u>510,653</u>	\$ <u>2,306,621</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ 119	\$ 1,031	\$ -	\$ -	\$ 1,150
Deferred revenue:					
Succeeding year property tax	316,000	-	156,000	255,000	727,000
Other	-	-	189,470	-	189,470
Total liabilities	316,119	1,031	345,470	255,000	917,620
Fund equity:					
Fund balances:					
Reserved for:					
Debt service	-	-	-	41,258	41,258
Local option sales and services tax revenue bonds	-	-	-	176,500	176,500
Local option sales and services tax bond sinking fund	-	-	-	37,895	37,895
Unreserved:					
Undesignated	458,597	366,736	308,015	-	1,133,348
Total fund equity	458,597	366,736	308,015	255,653	1,389,001
Total liabilities and fund equity	\$ <u>774,716</u>	\$ <u>367,767</u>	\$ <u>653,485</u>	\$ <u>510,653</u>	\$ <u>2,306,621</u>

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 349,266	\$ -	\$ 444,230	\$ 281,492	\$ 1,074,988
Other	34,627	359,643	46,175	6,817	447,262
State sources	238	-	85	189	512
Total revenues	<u>384,131</u>	<u>359,643</u>	<u>490,490</u>	<u>288,498</u>	<u>1,522,762</u>
Expenditures:					
Current:					
Instruction	42,869	347,050	-	-	389,919
Support services:					
Administration services	3,867	-	-	-	3,867
Operation and maintenance of plant services	107,550	-	9,004	-	116,554
Transportation services	38,715	-	83,339	-	122,054
Non-instructional programs	9,324	-	-	-	9,324
Other expenditures:					
Facilities acquisition	-	-	20,997	-	20,997
Long term debt:					
Principal	-	-	-	923,636	923,636
Interest and fiscal charges	-	-	-	156,746	156,746
Total expenditures	<u>202,325</u>	<u>347,050</u>	<u>113,340</u>	<u>1,080,382</u>	<u>1,743,097</u>
Excess (deficiency) of revenues over (under) expenditures	181,806	12,593	377,150	(791,884)	(220,335)
Other financing sources (uses):					
Interfund transfers in	-	-	-	1,009,719	1,009,719
Interfund transfers out	-	-	(264,382)	-	(264,382)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(264,382)</u>	<u>1,009,719</u>	<u>745,337</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Net change in fund balances	\$ 181,806	\$ 12,593	\$ 112,768	\$ 217,835	\$ 525,002
Fund balances beginning of year	276,791	354,143	195,247	37,818	863,999
Fund balances end of year	\$ 458,597	\$ 366,736	\$ 308,015	\$ 255,653	\$ 1,389,001

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 2,361	\$ 116,380	\$ 115,158	\$ 3,583
Business Club	245	-	-	245
Class of 2008	877	3,860	3,945	792
Class of 2009	1,048	805	1,440	413
Class of 2010	580	752	-	1,332
Class of 2011	-	718	-	718
Concessions	-	7,695	6,237	1,458
Crest Newspaper	2,484	86	74	2,496
Crestwood Elementary Activity	29,205	46,688	46,884	29,009
Electric Blue	327	-	87	240
Elma Elementary	10,009	1,908	2,449	9,468
Future Farmers of America - FFA	93,493	32,279	28,277	97,495
High School Cheerleaders	1,915	7,167	7,004	2,078
High School Drama	8,977	2,712	2,020	9,669
High School Student Clubs	235	-	-	235
High School Student Council	8,411	9,013	10,747	6,677
Horticulture Club	1,705	796	455	2,046
Instrumental Music	5,095	6,562	9,874	1,783
Middle School Drama	1,596	1,221	744	2,073
Middle School Music	7,699	18,697	12,835	13,561
Middle School Student Council	1,259	9,371	9,873	757
Middle School Cheerleaders	1,043	4,157	2,955	2,245
Language Club	277	-	-	277
Lime Springs Elementary	15,397	6,598	9,696	12,299
Magazine Sales	5,729	16,320	18,431	3,618
National Honor Society	1,492	-	461	1,031
Picture Money	815	237	-	1,052
Ridgeway Elementary Student Council	5,241	18,151	16,430	6,962
Robe Fund	5,480	-	-	5,480
Unallocated Interest Income	105,761	9,413	2,817	112,357
Vocal Music	27,044	17,193	15,313	28,924
Yearbook	1,441	20,332	21,728	45
SADD	1,249	35	667	617
Honor Roll	5,653	497	449	5,701
Total	\$ 354,143	\$ 359,643	\$ 347,050	\$ 366,736

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2008

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ <u>7,400</u>	\$ <u>6,427</u>	\$ <u>4,501</u>	\$ <u>9,326</u>
Liabilities				
Other payables	\$ <u>7,400</u>	\$ <u>6,427</u>	\$ <u>4,501</u>	\$ <u>9,326</u>

See accompanying independent auditor's report.

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

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2008	2007	2006	2005
Revenues:				
Local sources:				
Local tax	\$ 6,812,672	\$ 6,378,914	\$ 6,087,320	\$ 5,996,093
Tuition	204,089	247,706	184,356	198,164
Other	729,046	759,814	700,910	704,802
State sources	7,066,374	6,681,279	6,544,167	6,488,279
Federal sources	984,220	798,154	627,384	834,432
Total revenues	\$ 15,796,401	\$ 14,865,867	\$ 14,144,137	\$ 14,221,770
Expenditures:				
Instruction	\$ 8,546,096	\$ 8,247,963	\$ 8,031,145	\$ 7,657,561
Support services:				
Student services	522,259	484,839	467,585	621,567
Instructional staff services	452,757	604,306	503,050	560,822
Administration services	1,407,458	1,290,720	1,191,906	1,180,804
Operation and maintenance of plant services	1,258,183	1,170,965	1,142,621	1,138,546
Transportation services	973,684	783,180	781,515	710,992
Non-instructional programs	9,324	25,399	16,509	20,168
Other expenditures:				
Facilities acquisition	2,446,356	812,778	235,986	604,332
Long-term debt:				
Principal	923,636	737,457	625,472	703,001
Interest and fiscal charges	191,055	155,746	180,759	209,629
AEA flowthrough	515,279	485,091	467,927	466,256
Total expenditures	\$ 17,246,087	\$ 14,798,444	\$ 13,644,475	\$ 13,873,678

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Agriculture:			
Team Nutrition Grants	10.574	FY 08	\$ <u>200</u>
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 08	22,539
National School Lunch Program	10.555	FY 08	179,589
National School Lunch Program (non-cash)	10.555	FY 08	32,785
Summer Food Service Program for Children	10.559	FY 08	<u>8,780</u>
			<u>243,693</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	3029G FY 07	3,774
Title 1 Grants to Local Educational Agencies	84.010	3029G FY 08	<u>160,879</u>
			<u>164,653</u>
Safe and Drug-Free Schools and Communities			
- State Grants	84.186	FY 07	108
Safe and Drug-Free Schools and Communities			
- State Grants	84.186	FY 08	<u>5,866</u>
			<u>5,974</u>
Charter Schools	84.282	FY 08	<u>5,262</u>
Improving Teacher Quality State Grants	84.367	FY 08	<u>70,549</u>
Grants for State Assessments and Related Activities	84.369	FY 08	<u>9,408</u>
State Grants for Innovative Programs	84.298	FY 08	<u>1,839</u>
Keystone Area Education Agency:			
Special Education - Grants to States	84.027	FY 08	<u>78,272</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect (continued):			
U. S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
City of Cresco:			
Community Development Block Grants/Entitlement Grants	14.218	06-CF-007-05	\$ <u>460,485</u>
Total			\$ <u><u>1,040,335</u></u>

Basis of Presentation –

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

See accompanying independent auditor's report.

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Howard-Winneshiek Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 6, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Howard-Winneshiek Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Howard-Winneshiek Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Howard-Winneshiek Community School District's internal control over financial reporting.

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about Howard-Winneshiek Community School District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Howard-Winneshiek Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
February 6, 2009

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

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

Compliance

We have audited the compliance of Howard-Winneshiek Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Howard-Winneshiek Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Howard-Winneshiek Community School District's management. Our responsibility is to express an opinion on Howard-Winneshiek Community School District's compliance based on our audit.

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

In our opinion, Howard-Winneshiek Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Oskaloosa, Iowa
February 6, 2009

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 14.218 – Community Development Block Grants/Entitlement Grants
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Howard-Winneshiek Community School District did not qualify as a low-risk auditee.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

II-A-08 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, the posting of the cash receipts to the cash receipts journal, and the bank reconciliations and all payroll activity are all done by the same person in the various funds.

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

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

Conclusion – Response accepted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

CFDA Number 14.218: Community Development Block Grants/Entitlement Grants
Federal Award Year: 2008
U.S. Department of Housing and Urban Development
Passed through the Iowa Department of Economic Development

III-A-08 Segregation of Duties – One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, the posting of the cash receipts to the cash receipts journal, and the bank reconciliations are all done by the same person.

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

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

Conclusion – Response accepted.

CFDA Number 84.010: Title I Grants to Local Educational Agencies
Federal Award Year: 2008
U.S. Department of Education
Passed through the Iowa Department of Education

III-B-08 Segregation of Duties – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that all payroll activity is performed by the same person.

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

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

Conclusion – Response accepted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-08 Certified Budget – Expenditures for the year ended June 30, 2008, did not exceed the amounts budgeted.
- IV-B-08 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- IV-C-08 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-08 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-08 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-08 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-08 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-08 Deposits and Investments – The District has investments in money market mutual funds, which is not an allowable investment under its investment policy.
- Recommendation – The District should either update the investment policy or transfer the investment in money market mutual funds to an allowable investment.
- Response – We will update our investment policy to include this type of investment.
- Conclusion – Response accepted.
- IV-I-08 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.