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, 2010

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HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

OFFICIALS

Name	Title	Term Expires
	Board of Education	
	(Before September 2009 Election)	
Donald J. Conway	President	2009
Marilyn Reis	Vice President	2011
Duane Bodermann	Board Member	2009
Jan Carman	Board Member	2011
Jeff Murphy	Board Member	2011
	Board of Education	
	(After September 2009 Election)	
Marilyn Reis	President	2011
Duane Bodermann	Vice President	2013
Jan Carman	Board Member	2011
Jeff Murphy	Board Member	2011
Karlos McClure	Board Member	2013
	School Officials	
Brian Ney	Superintendent	2010
Janet Kreitzer	District Secretary/Treasurer	2010
Gruhn Law Firm	Attorney	Indefinite
Ahlers and Cooney PC	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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Howard-Winneshiek Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 25, 2011 on our consideration of Howard-Winneshiek Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 56 through 58 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 five years ended June 30, 2009 (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 is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Oskaloosa, Iowa
February 25, 2011

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, 2010. 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 2010 Financial Statement ending June 30, 2010

The District's revenues totaled $16,071,012 for the year ended June 30, 2010, a 3.75 percent decrease from the prior year. Revenues included $6,566,000 in local tax, charges for service of $1,375,487, operating grants and contributions of $2,463,820, capital grants and contributions of $37,310, unrestricted interest of $33,502 and other general revenues of $5,594,893.

Expenses for the District operations totaled $17,583,393, a 9.39 percent increase from the prior year. Expenses included $10,355,609 for instruction, $1,575,841 for administration, and $1,277,578 for operation and maintenance.

General Fund revenues decreased from $13,228,198 to $13,057,792 ($170,406 difference) in fiscal year 2010 while General Fund expenditures decreased from $13,841,133 to $13,748,362 ($92,771 difference) in fiscal year 2010.

The decrease in General Fund revenues were attributable to a decrease in state sources. The decrease in General Fund expenditures was due primarily to a decrease in student services, administration services, and operation and maintenance 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 Districts 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.

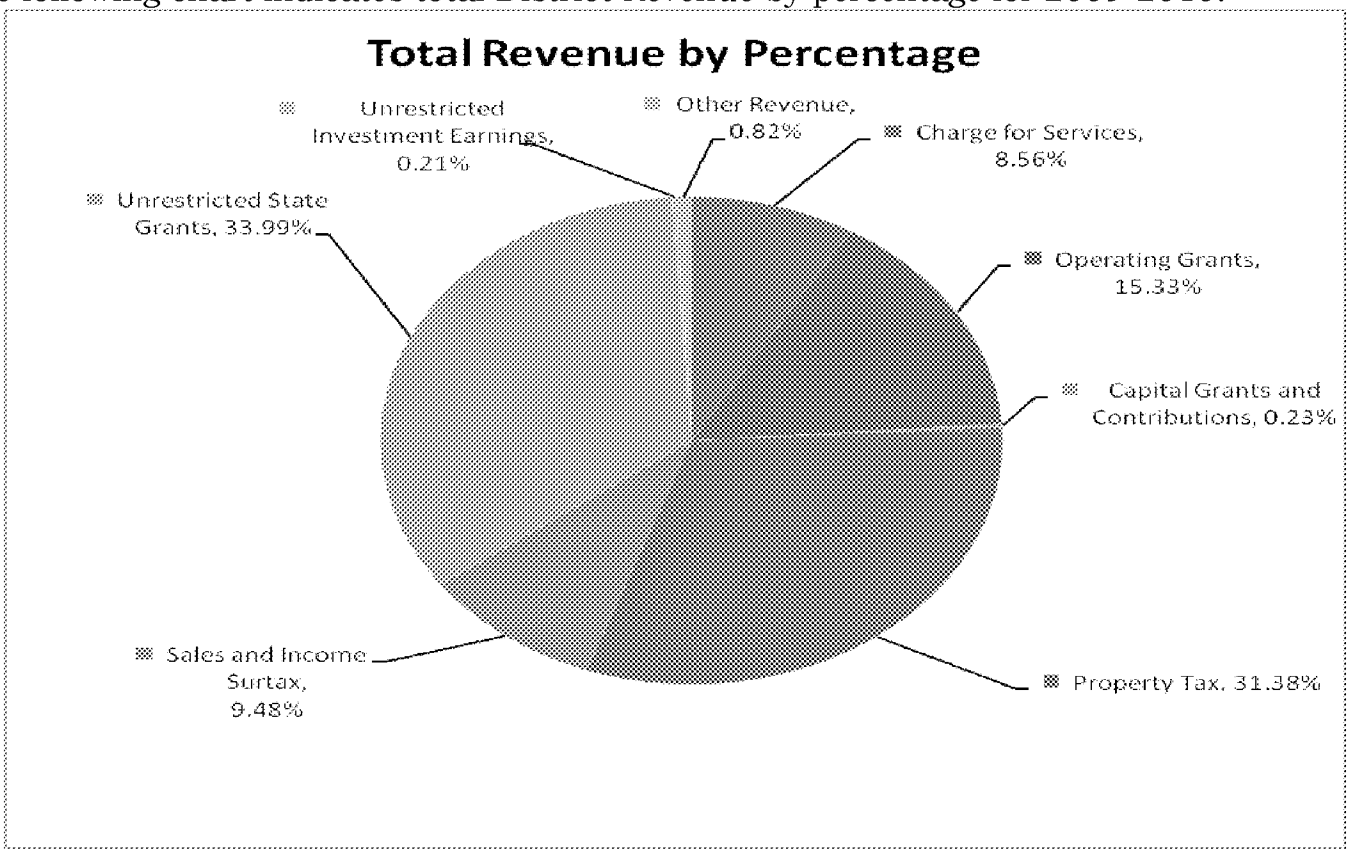
The School District as a Whole

Overall district wide net assets decreased $1,512,381 for the year. Total revenues decreased by 3.75 percent from the prior year and expenses increased by 9.39 percent from the prior year.

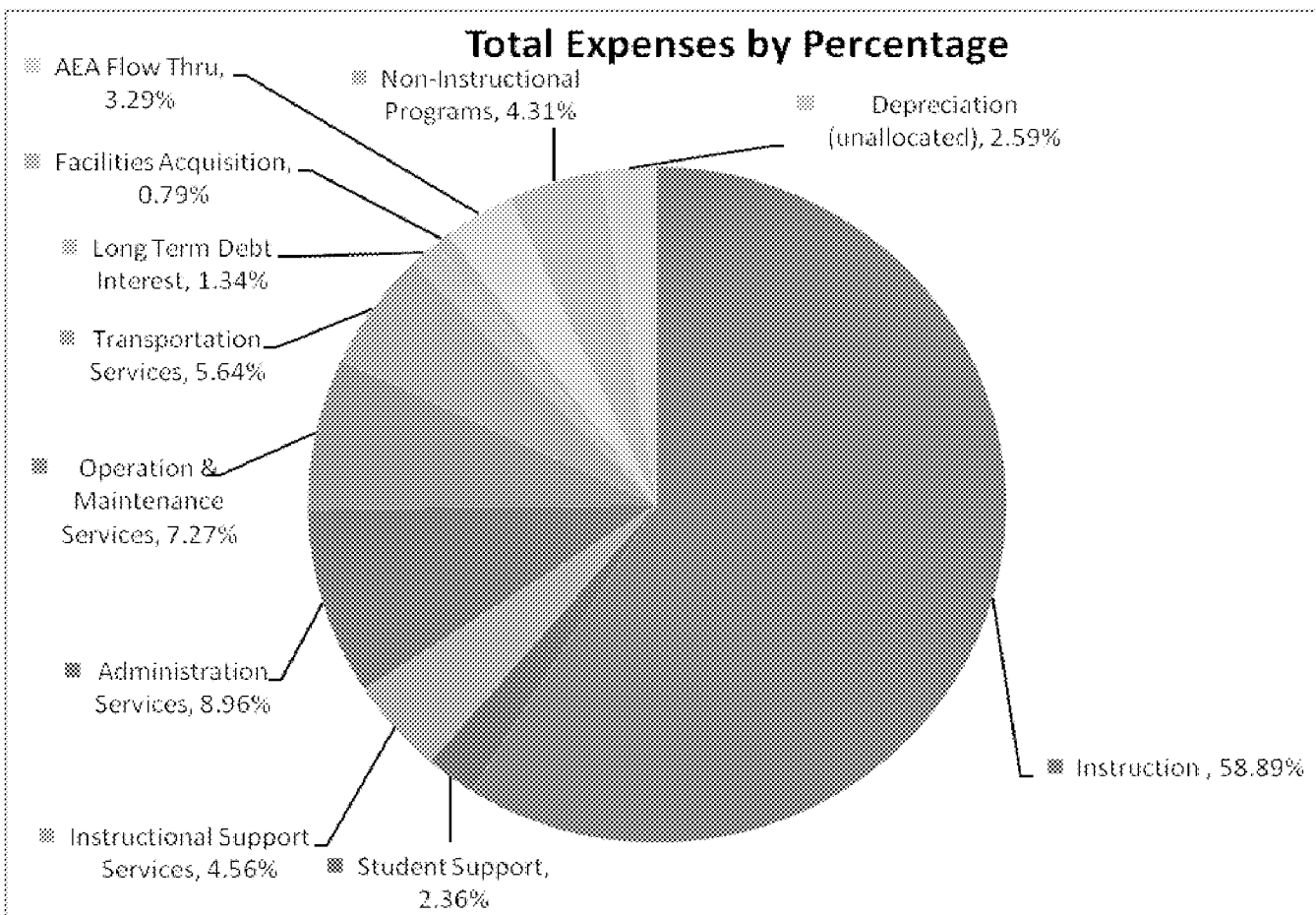
The following is a summary perspective of the statement of net assets of the District as a whole for the year ending June 30, 2010. The Howard-Winneshiek Community School District's net assets at the end of the fiscal year 2010 totaled $11,007,298.

	Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total		Total Percentage
	2009	2010	2009	2010	2009	2010	Change
Revenue							
Program Revenue							
Charge for Services	829,268	973,596	409,224	401,891	1,238,492	1,375,487	11.06%
Operating Grants	2,279,236	2,115,558	299,106	348,262	2,578,342	2,463,820	-4.44%
Capital Grants and Contribution	234,221	35,411	14,848	1,899	249,069	37,310	-85.02%
General Revenue							
Property Taxes	5,150,858	5,042,882			5,150,858	5,042,882	-2.10%
Sales and Income Surtax	1,674,567	1,523,118			1,674,567	1,523,118	-9.04%
Unrestricted State Grants	5,625,243	5,463,163			5,625,243	5,463,163	-2.88%
Unrestricted Investment Earning	62,805	33,398	568	104	63,373	33,502	-47.14%
Other Revenue	117,889	131,730			117,889	131,730	11.74%
Total Revenue	15,974,087	15,318,856	723,746	752,156	16,697,833	16,071,012	-3.75%
Program Expense							
Instruction	9,455,181	10,355,609			9,455,181	10,355,609	9.52%
Student Support	432,580	415,542	1,201	0	433,781	415,542	-4.20%
Instructional Support Services	565,222	801,802		0	565,222	801,802	41.86%
Administration Services	1,367,895	1,564,688	13,802	11,153	1,381,697	1,575,841	14.05%
Operation & Maintenance Services	1,327,728	1,276,097	1,095	1,481	1,328,823	1,277,578	-3.86%
Transportation Services	1,034,742	992,549			1,034,742	992,549	-4.08%
Long Term Debt Interest	162,861	235,065			162,861	235,065	44.33%
Facilities Acquisition	97,595	139,585			97,595	139,585	43.02%
AEA Flow Thru	534,196	578,150			534,196	578,150	8.23%
Non-Instructional Programs	10,615	80,658	645,203	676,537	655,818	757,195	15.46%
Depreciation (unallocated)	424,048	454,477			424,048	454,477	7.18%
Total Expenses	15,412,663	16,894,222	661,301	689,171	16,073,964	17,583,393	9.39%
Change in net assets	561,424	-1,575,366	62,445	62,985	623,869	-1,512,381	
NET ASSETS beginning of year	11,813,657	12,375,081	82,153	144,598	11,895,810	12,519,679	
NET ASSETS End of Year	$ 12,375,081	$ 10,799,715	$ 144,598	$ 207,583	$ 12,519,679	$ 11,007,298	

The following chart indicates total District Revenue by percentage for 2009-2010:



The following chart indicates total District Expenses by percentage for 2009-2010:



Condensed Statement of Net Assets

A comparative analysis of fiscal year 2009 to 2010 follows:

Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2009	**2010**	**2009**	**2010**	**2009**	**2010**	**2010**
Current and Other Assets	$10,920,001	$11,545,232	$124,416	$178,463	$11,044,417	$11,723,695	6.15%
Capital Assets	11,726,184	12,251,799	64,014	75,622	$11,790,198	$12,327,421	4.56%
Total Assets	22,646,185	23,797,031	188,430	254,085	22,834,615	24,051,116	5.33%
Long-Term Obligations	3,240,000	5,731,581	0	0	$3,240,000	$5,731,581	76.90%
Other Liabilities	7,031,104	7,265,735	43,832	46,502	$7,074,936	$7,312,237	3.35%
Total Liabilities	10,271,104	12,997,316	43,832	46,502	10,314,936	13,043,818	26.46%
Invested in Capital Assets net of related debt	8,646,184	9,121,861	64,014	75,622	$8,710,198	$9,197,483	5.59%
Restricted	2,509,150	2,169,497		0	$2,509,150	$2,169,497	-13.54%
Unrestricted	1,219,747	-491,643	80,584	131,961	$1,300,331	-$359,682	-127.66%
Total Net Assets	**$12,375,081**	**$10,799,715**	**$144,598**	**$207,583**	**$12,519,679**	**$11,007,298**	**-12.08%**

Financial Analysis of the District's Funds

The District's governmental funds reported combined fund balances of **$3,668,318** a **$429,532** increase from the 2009 fiscal year end balance of **$3,238,786.** The primary reason for the increase in combined fund balance for fiscal year 2010 was due to the excess of other financing sources over expenditures in the Governmental Funds. The District's General Fund (including the Instructional Support program) end of year cash balance decreased $1,131,881 to $1,425,640 from the 2009 fiscal year end cash balance of $2,557,521. The Capital Projects Fund balance increased $972,084 during the year due to the issuance of revenue bonds whose proceeds have not all been spent on projects yet.

Proprietary Fund Highlights

In fiscal 2010 the revenues of the District's food service activities were $752,128 and expenses were $689,171. The School Nutrition Fund net assets increased $62,957 in fiscal year 2010. The District received $57,914 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.

During the year, the District amended its budget one time by increasing expenditures by $898,934 for expected increases in other expenditures due to the revenue bond sale.

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 District did, however, exceed the non-instructional programs budget by $41,698 during the year due to unexpected increase costs in that area.

The following table shows the original budget for the fiscal year 2010 as well as actual revenues and expenditures for the year:

	Governmental Funds - Actual	Proprietary Funds - Enterprise - Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
REVENUES:						
Local sources	$ 7,596,711	$ 403,894	$ 8,000,605	$ 7,754,270	$ 7,754,270	$ 246,335
State sources	6,289,365	7,288	6,296,653	7,811,396	7,811,396	(1,514,743)
Federal sources	1,423,069	340,974	1,764,043	439,083	439,083	1,324,960
Total revenues	15,309,145	752,156	16,061,301	16,004,749	16,004,749	56,552
EXPENDITURES/EXPENSES:						
Instruction	9,438,459	-	9,438,459	9,906,634	9,906,634	468,175
Support services	4,923,945	12,634	4,936,579	5,096,650	5,096,650	160,071
Non-instructional programs	32,461	676,537	708,998	667,300	667,300	(41,698)
Other expenditures	2,664,898	-	2,664,898	2,676,066	3,575,000	910,102
Total expenditures/expenses	17,059,763	689,171	17,748,934	18,346,650	19,245,584	1,496,650
Excess (deficiency) of revenues over (under) expenditures/ expenses	(1,750,618)	62,985	(1,687,633)	(2,341,901)	(3,240,835)	1,553,202
Other financing sources, net	2,180,150	-	2,180,150	500	500	2,179,650
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	429,532	62,985	492,517	(2,341,401)	(3,240,335)	3,732,852
Balance beginning of year	3,238,786	144,598	3,383,384	3,421,743	3,421,743	(38,359)
Balance end of year	$ 3,668,318	$ 207,583	$ 3,875,901	$ 1,080,342	$ 181,408	$ 3,694,493

Capital Assets

At the end of the 2010 fiscal year, the District had invested $12,327,421, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, vehicles, technology and computers, classroom equipment and transportation equipment. This amount represents a net increase of $537,223 or positive 4.56 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 $630,272.

Capital Assets, (net of depreciation)

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2009	2010	2009	2010	2009	2010	2009-2010
Land (not being depreciated)	564,802	721,253			564,802	721,253	27.70%
Buildings	9,744,150	10,379,154			9,744,150	10,379,154	6.52%
Improvements other than buildings	351,155	331,860			351,155	331,860	-5.49%
Furniture and Equipment	575,891	798,271	64,014	75,622	639,905	873,893	36.57%
Construction in Progress	490,186	21,261			490,186	21,261	-95.66%
Total	11,726,184	12,251,799	64,014	75,622	11,790,198	12,327,421	4.56%

Long-Term Debt

At June 30, 2010, the District had $5,731,581 in general obligation and other long-term debt outstanding. This represents an increase of 75.86% from last year. More detailed information about the District's long-term liabilities is available in the District's audit report Note 6 to the financial statements.

Outstanding Long-Term Obligations

	Total School District 2010	Total School District 2009	Total % Change 2009-10
Early Retirement	1,420,581	160,000	787.86%
General Obligation Bonds	0	555,000	-100.00%
Local Option Sales and Service Tax Revenue Bonds	3,820,000	1,845,000	107.05%
Capital Lease Purchase Agreement	445,000	680,000	-34.56%
Net OPEB Capitalized Liability	46,000	19,000	142.11%
Totals	5,731,581	3,259,000	75.86%

In April, 2010 the District offered a voluntary early retirement plan to its employees. At June 30, 2010, the District has obligations to twenty-eight participants with a total liability of $1,420,581. Actual early retirement expenditures for the year ended June 30, 2010 totaled $129,250.

On November 1, 2009, the District issued revenue bonds of $2,180,000 for the purpose of financing school infrastructure. The District pledged future local option sales and service tax revenues to repay the $3,945,000 bonds issued in August 2007 and October 2009 and are payable through 2025.

In 2001 the District 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 .67 cent levy, and capital project funds as of June 30, 2010.

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 2011 budget, state aid will fund 86% of the $6,006 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). Employee's contributions will increase from 4.3% to 4.5% and the employer's share increases from 6.65% to 6.95% effective July 1, 2010.

- District enrollment projections point to a slight increase in enrollment for fiscal year 2010-11. 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 estimated to carry through 2010-11 however a cash balance shortage is expected. We will participate in the Iowa School Cash Anticipation Program to carry us through the short-term dip in revenues. Fiscal monitoring procedures include a monthly Board report to monitor estimated unspent authorized budget calculation including miscellaneous income to reflect financial position and spending authority as well as a cash comparison of all funds. While the Board of Education made major reductions for the 2010-11 year, they continue to face the challenge of reducing staff and/or programs or closing buildings to maintain a positive solvent position as well as unspent balance budget authority for 2011-12.

- The Board is considering the sale of real estate property to the City of Ridgeway including the main elementary school and the schoolhouse site located across the street of the main building. In addition, the board will be recipients of additional funding grants for the Limes Springs Learning Center/Tornado Safe Room.

- The Board is considering renewing the Instructional Support Program Levy whereby monies received may be used for school infrastructure and capital outlay items and shall be funded by a percentage of state aid, property tax, and income surtax beginning July 1, 2011.

- The Federal Education Job Funds will appropriate approximately $277,000 to our school to be used to retain, recall, rehire or hire employees. Certain restrictions do apply and the monies must be spent by September 30, 2012.

- As the District plans for the future, strategic planning committees in the areas of finance, facilities, student achievement and communications will be formed to plan, analyze, set goals, and make recommendations.

- The Board is considering a special election to continue to levy and impose a voter approved physical plant and equipment property tax and income surtax for the purpose of purchasing and improving grounds, constructing schoolhouses or buildings, and opening roads to schoolhouses, paying debt for construction, and other repairs and remodeling, authorized for a period of 10 years not to exceed sixty-seven cents ($.67) per one thousand dollars of assessed valuation of taxable property within the school district.

- The District negotiated a one-year contract with the Howard-Winneshiek Education Association (HWEA) effective July 1, 2010 through June 30, 2011, the Howard-Winneshiek Clerical Association for two years beginning July 1, 2009, and ending June 30, 2011. 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) may see an increase in breakfast and lunch ticket prices due to the Healthy, Hunger-Free Kids Act of 2010.

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 Susan Murphy, 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, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	$ 4,741,748	$ 136,958	$ 4,878,706
Receivables:			
Property tax:			
Current year	71,459	-	71,459
Succeeding year	5,478,880	-	5,478,880
Income surtax	680,091	-	680,091
Accrued interest	303	-	303
Accounts	19,842	6,145	25,987
Due from other governments	552,909	10,017	562,926
Inventories	-	25,343	25,343
Capital assets, net of accumulated depreciation (note 5)	12,251,799	75,622	12,327,421
Total assets	23,797,031	254,085	24,051,116
Liabilities			
Accounts payable	234,157	2,395	236,552
Salaries and benefits payable	1,251,616	37,538	1,289,154
Accrued interest payable	94,106	-	94,106
Deferred revenue:			
Succeeding year property tax	5,478,880	-	5,478,880
Other	206,976	6,569	213,545
Long-term liabilities (notes 6 and 7):			
Portion due within one year:			
Early retirement	290,416	-	290,416
Bonds payable	400,000	-	400,000
Capital lease purchase agreement	245,000	-	245,000
Portion due after one year:			
Early retirement	1,130,165	-	1,130,165
Bonds payable	3,420,000	-	3,420,000
Capital lease purchase agreement	200,000	-	200,000
Net OPEB liability	46,000	-	46,000
Total liabilities	12,997,316	46,502	13,043,818

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	$ 9,121,861	$ 75,622	$ 9,197,483
Restricted for:			
Categorical funding (note 12)	160,786	-	160,786
Physical plant and equipment levy	621,866	-	621,866
Other special revenue purposes	347,807	-	347,807
Revenue bonds	394,500	-	394,500
Debt service	249,122	-	249,122
Capital projects	395,416	-	395,416
Unrestricted	(491,643)	131,961	(359,682)
Total net assets	$ 10,799,715	$ 207,583	$ 11,007,298

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities:				
Instruction	$ 10,355,609	$ 715,187	$ 1,421,927	$ -
Support services:				
Student services	415,542	168,198	18,087	-
Instructional staff services	801,802	-	5,200	-
Administration services	1,564,688	-	-	-
Operation and maintenance of plant services	1,276,097	33,677	-	-
Transportation services	992,549	56,534	49,570	-
	5,050,678	258,409	72,857	-
Non-instructional programs	80,658	-	-	-
Other expenditures:				
Facilities acquisition	139,585	-	42,624	35,411
Long-term debt interest and fiscal charges	235,065	-	-	-
AEA flowthrough	578,150	-	578,150	-
Depreciation (unallocated) *	454,477	-	-	-
	1,407,277	-	620,774	35,411
Total governmental activities	16,894,222	973,596	2,115,558	35,411
Business-Type Activities:				
Support services:				
Administration services	$ 11,153	$ -	$ -	$ -
Operation and maintenance of plant services	1,481	-	-	-
	12,634	-	-	-
Non-instructional programs:				
Food service operations	676,537	401,891	348,262	1,899
Total business-type activities	689,171	401,891	348,262	1,899
Total	$ 17,583,393	$ 1,375,487	$ 2,463,820	$ 37,310

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
$ (8,218,495)	$ -	$ (8,218,495)
(229,257)	-	(229,257)
(796,602)	-	(796,602)
(1,564,688)	-	(1,564,688)
(1,242,420)	-	(1,242,420)
(886,445)	-	(886,445)
(4,719,412)	-	(4,719,412)
(80,658)	-	(80,658)
(61,550)	-	(61,550)
(235,065)	-	(235,065)
-	-	-
(454,477)	-	(454,477)
(751,092)	-	(751,092)
(13,769,657)	-	(13,769,657)
$ -	$ (11,153)	$ (11,153)
-	(1,481)	(1,481)
-	(12,634)	(12,634)
-	75,515	75,515
-	62,881	62,881
$ (13,769,657)	$ 62,881	$ (13,706,776)

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs

General Revenues:

Property tax levied for:
General purposes
Debt service
Capital outlay
Income surtax
Statewide sales and services tax
Unrestricted state and federal 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
$ 4,619,919	$ -	$ 4,619,919
273,783	-	273,783
149,180	-	149,180
591,959	-	591,959
931,159	-	931,159
5,463,163	-	5,463,163
33,398	104	33,502
131,730	-	131,730
12,194,291	104	12,194,395
(1,575,366)	62,985	(1,512,381)
12,375,081	144,598	12,519,679
$ 10,799,715	$ 207,583	$ 11,007,298

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	$ 1,425,640	$ 1,584,023	$ 1,732,085	$ 4,741,748
Receivables:				
Property tax:				
Current year	61,621	-	9,838	71,459
Succeeding year	4,892,241	-	586,639	5,478,880
Income surtax	453,394	-	226,697	680,091
Accrued interest	-	-	303	303
Accounts	14,728	-	5,114	19,842
Due from other governments	380,658	172,251	-	552,909
Total assets	$ 7,228,282	$ 1,756,274	$ 2,560,676	$ 11,545,232

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Capital Projects	Nonmajor	Total
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 213,409	$ 7,796	$ 12,952	$ 234,157
Salaries and benefits payable	1,251,616	-	-	1,251,616
Deferred revenue:				
Succeeding year property tax	4,892,241	-	586,639	5,478,880
Other	685,564	-	226,697	912,261
Total liabilities	7,042,830	7,796	826,288	7,876,914
Fund balances:				
Reserved for:				
Categorical funding (note 12)	160,786	-	-	160,786
Revenue bonds	-	218,000	176,500	394,500
Revenue bond sinking fund	-	-	292,420	292,420
Debt service	-	-	49,122	49,122
Unreserved, reported in:				
General fund	24,666	-	-	24,666
Special revenue funds	-	-	1,216,346	1,216,346
Capital projects fund	-	1,530,478	-	1,530,478
Total fund balances	185,452	1,748,478	1,734,388	3,668,318
Total liabilities and fund balances	$ 7,228,282	$ 1,756,274	$ 2,560,676	$ 11,545,232

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, 2010

Total fund balances of governmental funds	$	3,668,318
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.		12,251,799
Other long-term assets, including income surtax and other receivables, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.		705,285
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.		(94,106)
Long-term liabilities, including bonds payable, capital lease purchase agreements, early retirement payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(5,731,581)
Net assets of governmental activities	$	10,799,715

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, 2010

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	$ 4,808,328	$ 931,159	$ 837,968	$ 6,577,455
Tuition	319,924	-	-	319,924
Other	257,651	49,503	392,178	699,332
State sources	6,288,944	-	421	6,289,365
Federal sources	1,382,945	-	40,124	1,423,069
Total revenues	13,057,792	980,662	1,270,691	15,309,145
Expenditures:				
Current:				
Instruction	9,000,624	-	437,835	9,438,459
Support services:				
Student services	369,492	-	12,500	381,992
Instructional staff services	545,339	202,091	-	747,430
Administration services	1,300,964	10,032	28,124	1,339,120
Operation and maintenance of plant services	1,088,328	-	141,198	1,229,526
Transportation services	865,465	312,429	47,983	1,225,877
	4,169,588	524,552	229,805	4,923,945
Non-instructional programs	-	-	32,461	32,461
Other expenditures:				
Facilities acquisition	-	838,471	67,705	906,176
Long term debt:				
Principal	-	-	995,000	995,000
Interest and fiscal charges	-	48,263	137,309	185,572
AEA flowthrough	578,150	-	-	578,150
	578,150	886,734	1,200,014	2,664,898
Total expenditures	13,748,362	1,411,286	1,900,115	17,059,763
Deficiency of revenues under expenditures	(690,570)	(430,624)	(629,424)	(1,750,618)

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General	Capital Projects	Nonmajor	Total
Other financing sources (uses):				
Sale of equipment	$ 150	$ -	$ -	$ 150
Interfund transfers in (note 3)	-	-	1,042,858	1,042,858
Interfund transfers out (note 3)	-	(777,292)	(265,566)	(1,042,858)
Revenue bonds issued	-	2,180,000	-	2,180,000
Total other financing sources (uses)	150	1,402,708	777,292	2,180,150
Net change in fund balances	(690,420)	972,084	147,868	429,532
Fund balances beginning of year	875,872	776,394	1,586,520	3,238,786
Fund balances end of year	$ 185,452	$ 1,748,478	$ 1,734,388	$ 3,668,318

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, 2010

Net change in fund balances - total governmental funds		$ 429,532
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	$ 1,149,740	
Depreciation expense	(623,125)	526,615
In the Statement of Activities, the loss on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.		(1,000)
Income surtax and other revenues not received until several months after the District's fiscal year end are not considered available revenues in the governmental funds and are deferred. They are, however, recorded as revenues in the Statement of Activities.		10,561
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.		(2,180,000)
Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		995,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		(49,493)

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, 2010

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(1,260,581)	
Net OPEB liability	(46,000)	(1,306,581)
Change in net assets of governmental activities		$ (1,575,366)

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	Enterprise			Internal Service
	School Nutrition	Nonmajor-Childcare	Total	Flexible Benefits
Assets				
Cash and cash equivalents	$ 115,998	$ 20,960	$ 136,958	$ 4,067
Accounts receivable	6,145	-	6,145	-
Due from other governments	10,017	-	10,017	-
Inventories	25,343	-	25,343	-
Capital assets, net of accumulated depreciation (note 5)	75,622	-	75,622	-
Total assets	233,125	20,960	254,085	4,067
Liabilities				
Accounts payable	2,395	-	2,395	-
Salaries and benefits payable	37,538	-	37,538	-
Deferred revenue	6,569	-	6,569	-
Total liabilities	46,502	-	46,502	-
Net Assets				
Invested in capital assets	75,622	-	75,622	-
Unrestricted	111,001	20,960	131,961	4,067
Total net assets	$ 186,623	$ 20,960	$ 207,583	$ 4,067

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, 2010

	Enterprise			Internal Service
	School Nutrition	Nonmajor-Childcare	Total	Flexible Benefits
Operating revenues:				
Local sources:				
Charges for services	$ 401,891	$ -	$ 401,891	$ 30,515
Operating expenses:				
Support services:				
Administration services	11,153	-	11,153	-
Operation and maintenance of plant services	1,481	-	1,481	-
Non-instructional programs	676,537	-	676,537	30,828
	689,171	-	689,171	30,828
Operating loss	(287,280)	-	(287,280)	(313)
Non-operating revenues:				
Interest on investments	76	28	104	8
Capital contributions	1,899	-	1,899	-
State sources	7,288	-	7,288	-
Federal sources	340,974	-	340,974	-
Total non-operating revenues	350,237	28	350,265	8
Change in net assets	62,957	28	62,985	(305)
Net assets beginning of year	123,666	20,932	144,598	4,372
Net assets end of year	$ 186,623	$ 20,960	$ 207,583	$ 4,067

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	Enterprise			Internal Service
	School Nutrition	Nonmajor-Childcare	Total	Flexible Benefits
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	$ 396,626	$ -	$ 396,626	$ -
Cash received from miscellaneous operating activities	9,457	-	9,457	30,515
Cash payments to employees for services	(285,051)	-	(285,051)	-
Cash payments to suppliers for goods or services	(341,328)	-	(341,328)	(34,725)
Net cash used by operating activities	(220,296)	-	(220,296)	(4,210)
Cash flows from non-capital financing activities:				
State grants received	7,288	-	7,288	-
Federal grants received	279,431	-	279,431	-
Net cash provided by non-capital financing activities	286,719	-	286,719	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(16,856)	-	(16,856)	-
Cash flows from investing activities:				
Interest on investments	76	28	104	8
Net increase (decrease) in cash and cash equivalents	49,643	28	49,671	(4,202)
Cash and cash equivalents beginning of year	66,355	20,932	87,287	8,269
Cash and cash equivalents end of year	$ 115,998	$ 20,960	$ 136,958	$ 4,067

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	Enterprise			Internal Service
	School Nutrition	Nonmajor-Childcare	Total	Flexible Benefits
Reconciliation of operating loss to net cash used by operating activities:				
Operating loss	$ (287,280)	$ -	$ (287,280)	$ (313)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	7,147	-	7,147	-
Commodities used	57,914	-	57,914	-
(Increase) in accounts receivable	(539)	-	(539)	-
(Increase) in inventories	(208)	-	(208)	-
(Decrease) in accounts payable	(644)	-	(644)	(3,897)
(Decrease) in salaries and benefits payable	(1,417)	-	(1,417)	-
Increase in deferred revenue	4,731	-	4,731	-
Net cash used by operating activities	$ (220,296)	$ -	$ (220,296)	$ (4,210)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received $57,914 of federal commodities and $1,899 of contributed equipment.

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2010

	Agency
Assets:	
Cash and pooled investments	$ 8,500
Liabilities:	
Accounts payable	$ 318
Other payables	8,182
Total liabilities	$ 8,500

See notes to financial statements.

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 and preschool. 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.

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.

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.

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2010 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.

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
Intangibles	200,000
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.

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, 2010.

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, 2010 consists of $1,774,997.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures in the non-instructional programs function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 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.

Note 2. Cash and Pooled Investments (continued)

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.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	$ 477,446

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

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

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	$ 777,292
	Special Revenue:	
	Physical Plant and Equipment Levy	265,566
Total		$ 1,042,858

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

Note 4. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. N.A. is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The District had no ISCAP activity for the year ended June 30, 2010.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 564,802	$ 157,451	$ 1,000	$ 721,253
Construction in progress	490,186	585,628	1,054,553	21,261
Total capital assets not being depreciated	1,054,988	743,079	1,055,553	742,514
Capital assets being depreciated:				
Buildings	15,334,801	1,034,192	-	16,368,993
Improvements other than buildings	676,344	35,684	-	712,028
Furniture and equipment	2,793,275	391,338	242,335	2,942,278
Total capital assets being depreciated	18,804,420	1,461,214	242,335	20,023,299
Less accumulated depreciation for:				
Buildings	5,590,651	399,188	-	5,989,839
Improvements other than buildings	325,189	54,979	-	380,168
Furniture and equipment	2,217,384	168,958	242,335	2,144,007
Total accumulated depreciation	8,133,224	623,125	242,335	8,514,014
Total capital assets being depreciated, net	10,671,196	838,089	-	11,509,285
Governmental activities capital assets, net	$ 11,726,184	$ 1,581,168	$ 1,055,553	$ 12,251,799

Note 5. Capital Assets (continued)

Capital assets activity for the year ended June 30, 2010 (continued):

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	$ 366,316	$ 18,755	$ 2,780	$ 382,291
Less accumulated depreciation	302,302	7,147	2,780	306,669
Business-type activities capital assets, net	$ 64,014	$ 11,608	$ -	$ 75,622

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

Governmental activities:	
Instruction	$ 9,759
Support services:	
Administration	17,396
Operation and maintenance of plant services	10,696
Transportation	130,797
	168,648
Unallocated depreciation	454,477
Total governmental activities depreciation expense	$ 623,125
Business-type activities:	
Food service operations	$ 7,147

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	$ 160,000	$ 1,389,831	$ 129,250	$ 1,420,581	$ 290,416
General obligation bonds	555,000	-	555,000	-	-
Revenue bonds	1,845,000	2,180,000	205,000	3,820,000	400,000
Capital lease purchase agreement	680,000	-	235,000	445,000	245,000
Net OPEB liability	19,000	27,000	-	46,000	-
Total	$ 3,259,000	$ 3,596,831	$ 1,124,250	$ 5,731,581	$ 935,416

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each participating licensed teacher or administrator is equal to 50% of the employee's base salary for the final year of employment plus $3,000 for each year of employment with the District up to a maximum of 25 years. The base salary does not include teacher quality, phase II, or extra-curricular salary. The early retirement benefit for each participating non-certified employee is equal to 50% of the employee's base salary for the final year of employment plus $1,500 for each year of employment with the District up to a maximum of 25 years. The base salary does not include extra-curricular salary, overtime, or additional hours worked. Early retirement benefits will be paid into a tax deferred benefit plan in five equal annual payments.

Under a previous plan, the early retirement benefit for each eligible employee was equal to $150 per month toward health insurance through the District until the retiree qualifies for Medicare.

At June 30, 2010, the District has obligations to twenty-eight participants with a total liability of $1,420,581. Actual early retirement expenditures for the year ended June 30, 2010 totaled $129,250. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Revenue Bonds

During the year ended June 30, 2010, the District deposited funds into an escrow account for the express purpose of paying the principal and interest on the November 1, 2001 revenue bonds as they become due. This transaction meets all of the requirements for debt defeasance. Therefore, the November 1, 2001 revenue bonds have been removed as a long-term liability of the District. The amount of the defeased debt outstanding at June 30, 2010 was $40,000.

Note 6. Long-Term Liabilities (continued)

Revenue Bonds (continued)

Details of the District's June 30, 2010 revenue bonded indebtedness are as follows:

	Issue dated August 1, 2007			
Year Ending June 30,	Interest Rates	Principal	Interest	Total
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		1,640,000	176,790	1,816,790

	Issue dated November 1, 2009			
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	- %	$ -	$ 100,564	$ 100,564
2012	-	-	86,198	86,198
2013	-	-	86,198	86,198
2014	-	-	86,198	86,198
2015	-	-	86,198	86,198
2016	3.125	180,000	86,197	266,197
2017	3.375	190,000	80,572	270,572
2018	4.000	195,000	74,160	269,160
2019	4.000	205,000	66,360	271,360
2020	4.000	210,000	58,160	268,160
2021	4.000	220,000	49,760	269,760
2022	4.000	230,000	40,960	270,960
2023	4.200	240,000	31,760	271,760
2024	4.200	250,000	21,680	271,680
2025	4.300	260,000	11,180	271,180
Subtotal		2,180,000	966,145	3,146,145
Total		$ 3,820,000	$ 1,142,935	$ 4,962,935

Note 6. Long-Term Liabilities (continued)

Revenue Bonds (continued)

The District pledged future local option (statewide) sales and services tax revenues to repay the $3,945,000 bonds issued in August 2007 and October 2009. The bonds were issued for the purpose of financing school infrastructure. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2025. The bonds are not a general obligation of the District but 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 10 to 60 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the notes is $4,962,935. For the current year, principal and interest of $200,223 and $84,761 for the defeasance of bonds were paid on the bonds and total local option (statewide) sales and services tax revenues were $931,159.

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 $394,500 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.

(d) Any monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

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.

Note 6. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement (continued)

Details of the District's June 30, 2010 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	4.50 %	$ 245,000	$ 20,226	$ 265,226
2012	4.60	200,000	9,200	209,200
		$ 445,000	$ 29,426	$ 474,426

During the year ended June 30, 2010, the District paid $235,000 on the capital lease purchase agreement.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District participates in the Northeast Iowa Schools Insurance Trust (Trust), which is a cost-sharing multiple-employer plan, as authorized by Chapter 28E of the Code of Iowa. The Trust provides medical and dental insurance benefits for retirees and their spouses. There are 1,192 active and 129 retired members in the Trust. The District has 160 active and 25 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark through the Trust. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The 28E agreement provides that contribution requirements of plan members and the participating employers are established and may be amended by the officials of the Trust. Plan members or beneficiaries receiving benefits contribute differing amounts per month depending on the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

Note 7. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	$	126,000
Interest on net OPEB obligation		1,000
Adjustment to annual required contribution		(1,000)
Annual OPEB cost		126,000
Contributions made		(99,000)
Increase in net OPEB obligation		27,000
Net OPEB obligation beginning of year		19,000
Net OPEB obligation end of year	$	46,000

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed $99,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
June 30, 2010	$	126,000	78.6%	$	46,000

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was $1,022,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $1,022,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately $7,944,000, and the ratio of the UAAL to covered payroll was 12.9%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 7. Other Postemployment Benefits (OPEB) (continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

Note 8. 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 $4,554 during the term of the lease.

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

Year Ending June 30,	Amount
2011	$ 54,654
2012	54,654
2013	54,654
2014	54,654
2015	13,663
	$ 232,279

Total payments under the lease agreement for the year ended June 30, 2010 were $56,822.

Note 9. Pension and Retirement Benefits

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

Note 9. Pension and Retirement Benefits (continued)

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were $528,290, $494,952, and $463,617, respectively, equal to the required contributions for each year.

Note 10. 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.

Northeast Iowa Schools Insurance Trust

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, eight new school districts have been added to and two school districts have left the trust for a total of ten districts currently participating in the plan. Effective July 1, 2009, the Trust switched to a fully insured health insurance plan with self-funding of the difference between the employee deductible and the deductible on the policy purchased.

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 $1,000 per member per calendar year.

The District's contributions to the Trust for the years ended June 30, 2010, 2009, and 2008 were $1,760,175, $1,849,487, and $1,748,444, respectively, equal to the required contributions for each year. The total premiums paid into the Trust by all member Districts and retirees from July 1, 2008 to June 30, 2009 (latest available audited financial statements) were $11,840,765.

Note 11. 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 $578,150 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 12. Categorical Funding

The District's fund balance reserved for categorical funding at June 30, 2010 is comprised of the following programs:

Program	Amount
Limited English proficient	$ 2,712
Beginning teacher mentoring and induction	2,281
Salary improvement program	42,035
Professional development for model core curriculum	38,459
Professional development	59,168
Market factor	10,483
Market factor incentives	4,251
Textbook aid for nonpublic students	1,397
Total	$ 160,786

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, 2010

	Governmental Funds - Actual	Proprietary Funds - Enterprise - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	$ 7,596,711	$ 403,894	$ 8,000,605	$ 7,754,270	$ 7,754,270	$ 246,335
State sources	6,289,365	7,288	6,296,653	7,811,396	7,811,396	(1,514,743)
Federal sources	1,423,069	340,974	1,764,043	439,083	439,083	1,324,960
Total revenues	15,309,145	752,156	16,061,301	16,004,749	16,004,749	56,552
EXPENDITURES/EXPENSES:						
Instruction	9,438,459	-	9,438,459	9,906,634	9,906,634	468,175
Support services	4,923,945	12,634	4,936,579	5,096,650	5,096,650	160,071
Non-instructional programs	32,461	676,537	708,998	667,300	667,300	(41,698)
Other expenditures	2,664,898	-	2,664,898	2,676,066	3,575,000	910,102
Total expenditures/expenses	17,059,763	689,171	17,748,934	18,346,650	19,245,584	1,496,650
Excess (deficiency) of revenues over (under) expenditures/ expenses	(1,750,618)	62,985	(1,687,633)	(2,341,901)	(3,240,835)	1,553,202
Other financing sources, net	2,180,150	-	2,180,150	500	500	2,179,650
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	429,532	62,985	492,517	(2,341,401)	(3,240,335)	3,732,852
Balance beginning of year	3,238,786	144,598	3,383,384	3,421,743	3,421,743	(38,359)
Balance end of year	$ 3,668,318	$ 207,583	$ 3,875,901	$ 1,080,342	$ 181,408	$ 3,694,493

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2010

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 $898,934.

During the year ended June 30, 2010, expenditures in the non-instructional programs function exceeded the amount budgeted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)
Required Supplementary Information
Year Ended June 30, 2010

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	$ -	$ 1,045	$ 1,045	0.0%	$ 7,795	13.4%
2010	July 1, 2008	-	1,022	1,022	0.0%	7,944	12.9%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Assets					
Cash and pooled investments	$ 480,568	$ 342,911	$ 394,636	$ 513,970	$ 1,732,085
Receivables:					
Property tax:					
Current year	3,547	-	2,219	4,072	9,838
Succeeding year	400,001	-	186,638	-	586,639
Income surtax	-	-	226,697	-	226,697
Accrued interest	-	303	-	-	303
Accounts	-	5,114	-	-	5,114
Total assets	$ 884,116	$ 348,328	$ 810,190	$ 518,042	$ 2,560,676
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 12,431	$ 521	$ -	$ -	$ 12,952
Deferred revenue:					
Succeeding year property tax	400,001	-	186,638	-	586,639
Other	-	-	226,697	-	226,697
Total liabilities	412,432	521	413,335	-	826,288
Fund balances:					
Reserved for:					
Revenue bonds	-	-	-	176,500	176,500
Revenue bond sinking fund	-	-	-	292,420	292,420
Debt service	-	-	-	49,122	49,122
Unreserved:					
Undesignated	471,684	347,807	396,855	-	1,216,346
Total fund balances	471,684	347,807	396,855	518,042	1,734,388
Total liabilities and fund balances	$ 884,116	$ 348,328	$ 810,190	$ 518,042	$ 2,560,676

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, 2010

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Revenues:					
Local sources:					
Local tax	$ 249,833	$ -	$ 314,522	$ 273,613	$ 837,968
Other	32,572	328,309	30,837	460	392,178
State sources	158	-	93	170	421
Federal sources	-	-	40,124	-	40,124
Total revenues	282,563	328,309	385,576	274,243	1,270,691
Expenditures:					
Current:					
Instruction	94,440	343,395	-	-	437,835
Support services:					
Student services	12,500	-	-	-	12,500
Administration services	28,124	-	-	-	28,124
Operation and maintenance of plant services	134,640	-	6,558	-	141,198
Transportation services	47,983	-	-	-	47,983
Non instructional programs	32,461	-	-	-	32,461
Other expenditures:					
Facilities acquisition	-	-	67,705	-	67,705
Long term debt:					
Principal	-	-	-	995,000	995,000
Interest and fiscal charges	-	-	-	137,309	137,309
Total expenditures	350,148	343,395	74,263	1,132,309	1,900,115
Excess (deficiency) of revenues over (under) expenditures	(67,585)	(15,086)	311,313	(858,066)	(629,424)
Other financing sources (uses):					
Interfund transfers in	-	-	-	1,042,858	1,042,858
Interfund transfers out	-	-	(265,566)	-	(265,566)
Total other financing sources (uses)	-	-	(265,566)	1,042,858	777,292

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Net change in fund balances	$ (67,585)	$ (15,086)	$ 45,747	$ 184,792	$ 147,868
Fund balances beginning of year	539,269	362,893	351,108	333,250	1,586,520
Fund balances end of year	$ 471,684	$ 347,807	$ 396,855	$ 518,042	$ 1,734,388

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, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	$ 19,828	$ 107,417	$ 120,007	$ 7,238
Business Club	245	-	-	245
Class of 2010	2,172	62	-	2,234
Class of 2011	1,688	42	1,170	560
Class of 2012	1,128	760	-	1,888
Concessions	298	3,761	3,797	262
Crest Newspaper	2,460	1	8	2,453
Crestwood Elementary Activity	28,628	43,104	46,080	25,652
Junior High Yearbook	240	2,600	2,840	-
Elma Elementary	9,933	838	957	9,814
Future Farmers of America - FFA	97,052	50,923	56,633	91,342
High School Cheerleaders	399	13,536	8,780	5,155
High School Drama	8,675	3	4,455	4,223
High School Student Clubs	147	-	-	147
High School Student Council	870	8,895	8,824	941
Horticulture Club	1,234	3,787	1,847	3,174
Instrumental Music	8,268	6,937	8,210	6,995
Junior High Drama	2,535	1,660	1,030	3,165
Junior High Music	17,748	14,116	11,614	20,250
Junior High Student Council	(17)	8,202	7,927	258
Junior High Cheerleaders	1,218	1,793	1,051	1,960
Language Club	277	-	-	277
Lime Springs Elementary	12,440	6,614	2,221	16,833
Magazine Sales	8,863	14,220	16,897	6,186
National Honor Society	1,011	100	399	712
Picture Money	1,280	217	-	1,497
Ridgeway Elementary Student Council	11,022	652	8,874	2,800
Robe Fund	5,480	-	-	5,480
Unallocated Interest Income	83,413	4,184	2,490	85,107
Vocal Music	29,898	16,231	11,739	34,390
Yearbook	-	17,280	14,649	2,631
SADD	293	279	488	84
Honor Roll	4,167	95	408	3,854
Total	$ 362,893	$ 328,309	$ 343,395	$ 347,807

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, 2010

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	$ 9,604	$ 4,825	$ 5,929	$ 8,500
Liabilities				
Accounts payable	$ -	$ 318	$ -	$ 318
Other payables	9,604	4,507	5,929	8,182
Total liabilities	$ 9,604	$ 4,825	$ 5,929	$ 8,500

See accompanying independent auditor's report.

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HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST SIX YEARS

	Modified Accrual Basis Years Ended June 30,			
	2010	2009	2008	2007
Revenues:				
Local sources:				
Local tax	$ 6,577,455	$ 6,821,984	$ 6,812,672	$ 6,378,914
Tuition	319,924	227,553	204,089	247,706
Other	699,332	838,776	729,046	759,814
State sources	6,289,365	7,522,536	7,066,374	6,681,279
Federal sources	1,423,069	562,688	984,220	798,154
Total revenues	$ 15,309,145	$ 15,973,537	$ 15,796,401	$ 14,865,867
Expenditures:				
Instruction	$ 9,438,459	$ 9,446,490	$ 8,546,096	$ 8,247,963
Support services:				
Student services	381,992	445,080	522,259	484,839
Instructional staff services	747,430	565,222	452,757	604,306
Administration services	1,339,120	1,370,113	1,407,458	1,290,720
Operation and maintenance of plant services	1,229,526	1,333,747	1,258,183	1,170,965
Transportation services	1,225,877	1,083,458	973,684	783,180
Non-instructional programs	32,461	25,615	9,324	25,399
Other expenditures:				
Facilities acquisition	906,176	1,001,601	2,446,356	812,778
Long-term debt:				
Principal	995,000	996,364	923,636	737,457
Interest and fiscal charges	185,572	167,855	191,055	155,746
AEA flowthrough	578,150	534,196	515,279	485,091
Total expenditures	$ 17,059,763	$ 16,969,741	$ 17,246,087	$ 14,798,444

See accompanying independent auditor's report.

2006	2005
$ 6,087,320	$ 5,996,093
184,356	198,164
700,910	704,802
6,544,167	6,488,279
627,384	834,432
$ 14,144,137	$ 14,221,770
$ 8,031,145	$ 7,657,561
467,585	621,567
503,050	560,822
1,191,906	1,180,804
1,142,621	1,138,546
781,515	710,992
16,509	20,168
235,986	604,332
625,472	703,001
180,759	209,629
467,927	466,256
$ 13,644,475	$ 13,873,678

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 10	$ 33,928
National School Lunch Program	10.555	FY 10	230,150
National School Lunch Program (non-cash)	10.555	FY 10	57,914
Summer Food Service Program for Children	10.559	FY 10	18,345
			340,337
Team Nutrition Grants	10.574	FY 10	637
U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	3029G FY 10	182,092
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 09	21,450
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	13,621
			217,163
Special Education Cluster Programs:			
Special Education - Preschool Grants	84.173	FY 10	3,213
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 10	4,657
Fund for the Improvement of Education	84.215	FY 10	40,124
Improving Teacher Quality State Grants	84.367	FY 09	5,420
Improving Teacher Quality State Grants	84.367	FY 10	71,172
			76,592
Grants for State Assessments and Related Activities	84.369	FY 10	8,587

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect (continued):			
U. S. Department of Education (continued):			
Iowa Department of Education (continued):			
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 09	116,490
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 10	622,239
			738,729
Keystone Area Education Agency:			
Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 10	76,641
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 09	41,912
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 10	66,679
			185,232
Career and Technical Education - Basic Grants to States	84.048	FY 10	5,770
Total			$ 1,621,041

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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 25, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-10 and II-C-10 to be significant deficiencies.

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, 2010 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 25, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 U.S. generally accepted auditing standards, 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below we identified deficiencies in internal control over compliance we consider to be significant dificiencies.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part III of the accompanying Schedule of Findings and Questioned Costs as items III-A-10 and III-B-10 to be significant deficiencies.

Howard-Winneshiek Community School District's responses to the 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.

Oskaloosa, Iowa
February 25, 2011

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

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

(a) Unqualified opinions were issued on the financial statements.

(b) Significant deficiencies and material weaknesses in internal control over financial reporting were 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 84.394 – ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act
- Clustered programs:
    - CFDA Number 84.027 – Special Education – Grants to States
    - CFDA Number 84.173 – Special Education – Preschool Grants
    - CFDA Number 84.391 – ARRA – Special Education – Grants to States, Recovery Act

(h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

(i) Howard-Winneshiek Community School District qualified as a low-risk auditee.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-10 Financial Reporting – During the audit, we identified material and immaterial misstatements of receivables, deferred revenue and capital assets additions. Adjustments were subsequently made by the District to properly record these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, deferred revenue and capital assets additions are identified and properly recorded in the District's financial statements.

Response – We will double check these in the future to make sure all receivables, deferred revenue and capital asset transactions are properly recorded.

Conclusion – Response accepted.

II-B-10 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, the bank deposits, and all payroll activity were 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 will review the recommendation and look to improve in areas where possible.

Conclusion – Response accepted.

II-C-10 Early Retirement – We noted several errors in the early retirement benefits calculations resulting in a $27,684 understatement. We noted that seven employees were credited with the wrong number of years of service, three employees had incorrect classification splits, and three employees had incorrect final year salaries used.

Recommendation – All future early retirement benefit calculations should be prepared by the appropriate accounting personnel and properly reviewed.

Response – We will make sure that any future early retirement benefits are properly calculated and reviewed.

Conclusion – Response accepted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

CFDA Number 84.027: Special Education – Grants to States
CFDA Number 84.173: Special Education – Preschool Grants
CFDA Number 84.391: ARRA – Special Education – Grants to States, Recovery Act:
Federal award years: 2009 and 2010
U.S. Department of Education
Passed through Iowa Department of Education and Keystone Area Education Agency

III-A-10 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 deposits were all done by the same person. We also 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 will review the recommendation and look to improve in areas where possible.

Conclusion – Response accepted.

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act
Federal award years: 2009 and 2010
U.S. Department of Education
Passed through Iowa Department of Education

III-B-10 Segregation of Duties – One important aspect of 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 will review the recommendation and look to improve in areas where possible.

Conclusion – Response accepted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting:

IV-A-10 Certified Budget – Expenditures for the year ended June 30, 2010, exceeded the amount budgeted in the non-instructional programs function.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

IV-B-10 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-10 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-10 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-10 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-10 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-10 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-10 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.

IV-K-10 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-L-10 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales and services tax revenue are as follows:

Beginning balance		$ 761,394
Statewide sales and services tax revenue		931,159
Expenditures/transfers out:		
School infrastructure:		
Equipment	$ 301,845	
Debt service for school infrastructure:		
General obligation debt	300,000	
Revenue debt	477,292	1,079,137
Ending balance		$ 613,416

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per $1,000 of Taxable Valuation	Property Tax Dollars
Physical plant and equipment levy	$ 0.66916	$ 247,525
Debt service levy	1.84814	683,634

IV-M-10 Financial Condition – At June 30, 2010, the District's governmental activities had an unrestricted net assets deficit of $491,643, due mostly to the large early retirement liability.

Recommendation – The District should investigate alternatives to eliminate this deficit and return the governmental activities to a sound financial condition.

Response – The deficit will be reduced as the early retirement liability is levied for and paid off over the next five years.

Conclusion – Response accepted.

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-N-10 Interfund Payable – We noted that an interfund payable from the prior year was not repaid until September 2010. The payable was the result of an incorrect income surtax allocation in the fiscal year ended June 30, 2009.

Recommendation – All interfund payables should be repaid timely. The income surtax should be properly allocated between the General Fund and the Special Revenue, Physical Plant and Equipment Levy Fund when received.

Response – We will repay any future interfund payables timely and will properly allocate the income surtax revenue.

Conclusion – Response accepted.