

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

FINANCIAL REPORT

JUNE 30, 2010

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NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION AND SCHOOL OFFICIALS

Name	Title	Address	Term Expires
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Board of Education

(Before September 2009 Election)

Phil Richert	President	Decorah, Iowa	2009
Myron Rediske	Vice President	Decorah, Iowa	2009
Ben Lange	Member	Decorah, Iowa	2011
Kent Foster	Member	Decorah, Iowa	2009
Brenda Kreitzer	Member	Decorah, Iowa	2011

Board of Education

(After September 2009 Election)

Phil Richert	President	Decorah, Iowa	2013
Myron Rediske	Vice President	Decorah, Iowa	2013
Ben Lange	Member	Decorah, Iowa	2011
Scott Fairchild	Member	Decorah, Iowa	2013
Brenda Kreitzer	Member	Decorah, Iowa	2011

School Officials

Tim Dugger – Superintendent/Principal
Wendy Twait – District Secretary/Treasurer

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

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

www.hackernelson.com

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

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Winneshiek Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of North Winneshiek Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2010 on our consideration of North Winneshiek Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information and funding progress for the retiree health plan on page 4 and pages 29 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
November 2, 2010

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

**Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2010**

Management of North Winneshiek Community School District provides this Management's Discussion and Analysis of North Winneshiek Community School District's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010.

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

FINANCIAL HIGHLIGHTS

In total, governmental net assets decreased by \$165,675. District revenues decreased by 2.7% or approximately \$100,000, with federal grants increased by \$158,610 and state aid decreased by \$282,186. District program expenses were 3.69% or approximately \$135,000 more in 2010 than in 2009.

General fund revenues accounted for \$3,236,757 in revenue or 88.7% of all revenues. General fund expenditures accounted for \$3,426,487 in expenditures or 89.2% of all expenditures.

USING THE BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds

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

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

Proprietary Funds

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

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

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

DISTRICT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following is a summary perspective of the statement of net assets of the District as a whole. The North Winneshiek Community School District's net assets at the end of fiscal year 2010 totaled \$1,258,945.

	Condensed Statement of Net Assets (Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total		Percent Change
	2010	2009	2010	2009	2010	2009	
Current and other assets	\$ 2,166	\$ 2,698	\$ 8	\$ 8	\$ 2,174	\$ 2,706	-19.66%
Capital assets	1,544	1,480	20	24	1,564	1,504	3.99%
Total assets	3,710	4,178	28	32	3,738	4,210	-11.21%
Long-term debt outstanding	639	615	-	-	639	615	3.90%
Other liabilities	1,830	2,156	11	19	1,841	2,175	-15.36%
Total liabilities	2,469	2,771	11	19	2,480	2,790	-11.11%
Net assets							
Invested in capital assets, net of related debt	1,114	967	20	24	1,134	991	14.43%
Restricted	325	377	-	-	325	377	-13.79%
Unrestricted	(198)	63	(3)	(11)	(201)	52	-486.54%
Total net assets	\$ 1,241	\$ 1,407	\$ 17	\$ 13	\$ 1,258	\$ 1,420	-11.41%

The following analysis shows the change in net assets for the year ending June 30, 2010:

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

	Governmental Activities		Business-type Activities		Total		Percent Change
	2010	2009	2010	2009	2010	2009	
Revenues:							
Program revenue							
Charges for service	\$ 305	\$ 315	\$ 53	\$ 66	\$ 358	\$ 381	-6.04%
Operating grants	668	511	40	28	708	539	31.35%
General revenue							
Property taxes	1,406	1,346	-	-	1,406	1,346	4.46%
Sales tax and surtax	263	266	-	-	263	266	-1.13%
Unrestricted state grants	959	1,240	-	-	959	1,240	-22.66%
Unrestricted investment earnings	7	39	-	-	7	39	-82.05%
Other revenue	20	11	12	13	32	24	33.33%
Total revenues	3,628	3,728	105	107	3,733	3,835	-2.66%
Program expenses:							
Instruction	2,694	2,517	-	-	2,694	2,517	7.03%
Student support	886	828	-	-	886	828	7.00%
Non-instructional programs	8	6	101	110	109	116	-6.03%
Other expenses	206	308	-	-	206	308	-33.12%
Total expenses	3,794	3,659	101	110	3,895	3,769	3.34%
Increase (decrease) in net assets	(166)	69	4	(3)	(162)	66	-345.45%
Net assets Beginning of Year	1,407	1,338	13	16	1,420	1,354	4.87%
Net assets End of Year	\$ 1,241	\$ 1,407	\$ 17	\$ 13	\$ 1,258	\$ 1,420	-11.41%

INDIVIDUAL FUND ANALYSIS

As the District completed the year, its governmental funds reported a combined fund balance of \$337,808, a \$206,895 decrease of the 2009 fiscal year end balance of \$544,703. The District spent \$96,869 more than the prior fiscal year.

- The general fund received less revenue during fiscal year 2010 through state aid. The general fund expenditures increased in instruction and the other categories while decreasing in support services. In total general fund expenditures increased by \$124,087. The ending fund balance showed a decrease of \$202,110 to \$(37,902).
- The capital projects fund balance decreased due to the expenditures for facilities acquisition.

BUDGETARY HIGHLIGHTS

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

The following chart shows the original and amended budget for fiscal 2010 as well as the actual revenue and expenditures for the year:

Budgetary Comparison Schedule				
(Expressed in Thousands)				
	Actual	Budget Amounts		
	Basis	Final	Variance	
Revenues				
Local sources	\$ 2,073	\$ 2,152	\$ (79)	
Intermediate sources	-	-	-	
State sources	1,271	1,607	(336)	
Federal sources	397	239	158	
	<hr/>			
Total revenues	\$ 3,741	\$ 3,998	\$ (257)	
<hr/>				
Expenditures				
Instruction	\$ 2,552	\$ 2,876	\$ 324	
Student support	977	1,045	68	
Non-instructional programs	109	122	13	
Other expenses	305	392	87	
	<hr/>			
Total expenditures	\$ 3,943	\$ 4,435	\$ 492	
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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2010, North Winneshiek Community School District had \$1,543,743 invested in a broad range of capital assets, including buildings, land and equipment for the governmental activities. For the enterprise funds, the District had \$20,497 invested in equipment in the school nutrition fund.

The District's governmental activities had depreciation expense of \$72,389 for fiscal 2010 and total accumulated depreciation of \$2,155,194 as of June 30, 2010. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt

At year-end, the District had approximately \$589,624 in bonds and other debt compared to approximately \$615,363 last year. More detail is presented in Note 5 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt that districts can issue to 5 percent of the assessed value of all taxable property within the District's corporate limits. The District's outstanding general obligation debt is significantly below this \$4,733,224 limit.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

1. Enrollment

The District's revenue is tied directly to student enrollment; therefore, it is important to analyze enrollment trends. The District's certified enrollment will decrease from FY11 304.7 to FY12 279.0 which is a net loss of 25.70 students. The District had 19 students graduate from Mabel-Canton High School and has 7 fewer students at North Winneshiek Community School District this year.

The District will qualify for the 101% budget guarantee for FY12. The FY12 regular program district cost will be \$1,843,406 which is 1% higher than the FY11 regular program district cost of \$1,825,153.

2. Supplemental Weighting

North Winneshiek Community School District will receive supplemental weighting in the amount of 1.12 students for FY12. The supplemental weighting provides additional general fund revenue for the District.

3. General Fund Balance

The FY09 general fund balance was \$164,208. The FY10 general fund balance was -\$37,902. The balance decreased by \$202,111. The District continues to impose a cash reserve levy of \$365,748.

4. Solvency Ratio for the General Fund

The solvency ratio describes one attribute of the District's general fund health. The ratio is the general fund balance divided by the general fund revenues. **For FY10, the District had a -1.2% solvency ratio.** Department of Education's standards for solvency ratios are: *-3% and lower Concern, -2.99-0% Alert, 0-4.99% Acceptable, 5-10% Good, 11-15% Excellent.*

5. Spending Authority/Unspent Balance Ratio

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

The District's spending authority decreased from FY09 \$715,310 to FY10 \$601,198 which is a \$114,112 decline.

The unspent balance ratio is based upon the District's spending authority. The ratio is derived from the unspent balance (spending authority) divided by the total general fund expenditures. **For FY10, the District's unspent balance ratio was 17.0%.** Department of Education's standard for unspent balance ratios are: *0-10.9% Acceptable, 11-20% Good, >20% Excellent.*

6. **Instructional Support**

The District continues to have an instructional support levy that generates about \$150,000 for general fund expenditures. The levy is collected through a combination of property taxes, state aid, and an income surtax on District residents.

7. **Sharing Agreements**

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

8. **Secure an Advanced Vision for Education Fund (SAVE)**

The state wide sales tax has allowed the District to allocate funds for district infrastructure, buses, computers/technology, and for payment on the District's bond debt. The District receives about \$250,000 annually from the SAVE tax which provides direct property tax relief. The SAVE tax will expire in the year 2029.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2010

EXHIBIT A

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments			
Other	\$ 431,795	\$ 1,103	\$ 432,898
Receivables			
Property tax			
Delinquent	13,695		13,695
Succeeding year	1,573,939		1,573,939
Accounts	-	-	-
Accrued interest	20		20
Due from other governments	147,285		147,285
Inventories		7,212	7,212
Capital assets, non-depreciable	10,000		10,000
Capital assets, net of accumulated depreciation	1,533,743	20,497	1,554,240
	<u>\$ 3,710,477</u>	<u>\$ 28,812</u>	<u>\$ 3,739,289</u>
Total assets			
LIABILITIES			
Accounts payable	\$ 84,716	\$ -	\$ 84,716
Salaries and benefits payable	175,385	5,017	180,402
Interfund payable (receivable)	(5,114)	5,114	-
Accrued interest payable	1,835		1,835
Deferred revenue			
Succeeding year property tax	1,573,939		1,573,939
Other		1,118	1,118
Long-term liabilities			
Portion due within one year			
Bonds payable	75,000		75,000
Capital leases	9,371		9,371
Early retirement	57,762		57,762
Portion due after one year			
Bonds payable	345,000		345,000
Early retirement	102,491		102,491
Net OPEB liability	48,709		48,709
	<u>2,469,094</u>	<u>11,249</u>	<u>2,480,343</u>
Total liabilities			
NET ASSETS			
Invested in capital assets, net of related debt	1,114,371	20,497	1,134,868
Restricted for			
Capital projects	306,530		306,530
Other purposes	18,266		18,266
Unrestricted (deficit)	(197,784)	(2,934)	(200,718)
	<u>1,241,383</u>	<u>17,563</u>	<u>1,258,946</u>
Total net assets			
Total liabilities and net assets	<u>\$ 3,710,477</u>	<u>\$ 28,812</u>	<u>\$ 3,739,289</u>

See Notes to Financial Statements.

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NORTH WINNESHEIK COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Functions and Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants
Governmental activities			
Instruction			
Regular instruction	\$ 1,876,072	\$ 233,375	\$ 248,570
Special instruction	491,741	38,001	163,617
Other instruction	325,785	12,272	127,444
	<u>2,693,598</u>	<u>283,648</u>	<u>539,631</u>
Support services			
Student services	100,775	15,341	
Instructional staff services	70,217		
Administration services	241,743		
Operation and maintenance plant services	326,865		
Transportation services	145,984	6,000	
	<u>885,584</u>	<u>21,341</u>	
Non-instructional			
	<u>8,145</u>		
Other			
Long-term debt interest	22,957		
Facilities acquisition	16,075		
AEA flowthrough	128,700		128,700
Depreciation (unallocated)	38,844		
	<u>206,576</u>		<u>128,700</u>
Total governmental activities	3,793,903	304,989	668,331
Business-type activities			
Non-instructional programs			
Nutrition services	101,351	53,339	39,692
Total	\$ 3,895,254	\$ 358,328	\$ 708,023
General revenues			
Property taxes levied for			
General purposes			
Management			
PPEL			
Local option sales tax and surtax			
Unrestricted state grants			
Unrestricted investment earnings			
Transfer in (out)			
Loss on sale of capital assets			
Other			
Total general revenues			
Change in net assets			
Net assets, beginning of year			
Net assets, end of year			

See Notes to Financial Statements.

EXHIBIT B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (1,394,127)		\$ (1,394,127)
(290,123)		(290,123)
(186,069)		(186,069)
<u>(1,870,319)</u>		<u>(1,870,319)</u>
(85,434)		(85,434)
(70,217)		(70,217)
(241,743)		(241,743)
(326,865)		(326,865)
(139,984)		(139,984)
<u>(864,243)</u>		<u>(864,243)</u>
(8,145)		(8,145)
(22,957)		(22,957)
(16,075)		(16,075)
-		-
(38,844)		(38,844)
<u>(77,876)</u>		<u>(77,876)</u>
(2,820,583)		(2,820,583)
	\$ (8,320)	(8,320)
(2,820,583)	(8,320)	(2,828,903)
1,275,418		1,275,418
99,942		99,942
31,221		31,221
263,372		263,372
959,013		959,013
7,048		7,048
(12,380)	12,380	-
(5,367)		(5,367)
36,641		36,641
<u>2,654,908</u>	<u>12,380</u>	<u>2,667,288</u>
(165,675)	4,060	(161,615)
1,407,058	13,503	1,420,561
<u>\$ 1,241,383</u>	<u>\$ 17,563</u>	<u>\$ 1,258,946</u>

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and pooled investments				
Other	\$ 116,075	\$ 247,910	\$ 67,810	\$ 431,795
Receivables				
Property tax				
Delinquent	12,325	-	1,370	13,695
Succeeding year	1,465,924		108,015	1,573,939
Accounts	-		-	-
Accrued interest	20			20
Due from other funds	5,114		-	5,114
Due from other governments	88,665	58,620		147,285
Total assets	\$ 1,688,123	\$ 306,530	\$ 177,195	\$ 2,171,848
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 84,716	\$ -	\$ -	\$ 84,716
Salaries and benefits payable	175,385			175,385
Deferred revenue				
Succeeding year property tax	1,465,924		108,015	1,573,939
Total liabilities	1,726,025	-	108,015	1,834,040
Fund balances				
Restricted		306,530	18,266	324,796
Committed	237,204		43,907	281,111
Assigned			7,007	7,007
Unassigned	(275,106)		-	(275,106)
Total fund balances	(37,902)	306,530	69,180	337,808
Total liabilities and fund balances	\$ 1,688,123	\$ 306,530	\$ 177,195	\$ 2,171,848

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET ASSETS

Total governmental fund balances	\$	337,808
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds, net of accumulated depreciation of \$ 2,155,194		1,543,743
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds		
Bonds payable		(420,000)
Capital leases		(9,371)
Accrued interest		(1,835)
Early retirement		(160,253)
Net OPEB obligation		(48,709)
Net assets of governmental activities per Exhibit A	\$	<u>1,241,383</u>

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	General	Capital Projects	Nonmajor Governmental Funds	Total
REVENUES				
Local sources				
Local property tax	\$ 1,275,418		\$ 131,163	\$ 1,406,581
Tuition	245,949			245,949
Other	87,307	\$ 263,683	16,289	367,279
State sources	1,269,617		83	1,269,700
Federal sources	358,466			358,466
Total revenues	3,236,757	263,683	147,535	3,647,975
EXPENDITURES				
Current				
Instruction				
Regular instruction	1,680,938	21,131	32,625	1,734,694
Special instruction	491,741			491,741
Other instruction	314,278		11,507	325,785
	<u>2,486,957</u>	<u>21,131</u>	<u>44,132</u>	<u>2,552,220</u>
Support services				
Student services	99,303		-	99,303
Instructional staff services	70,217	5,200		75,417
Administration services	273,572		-	273,572
Operation and maintenance plant services	155,704	94,885	73,996	324,585
Transportation services	203,889		-	203,889
	<u>802,685</u>	<u>100,085</u>	<u>73,996</u>	<u>976,766</u>
Non-instructional	<u>8,145</u>	<u>-</u>	<u>-</u>	<u>8,145</u>
Other				
Long-term debt				
Principal			83,909	83,909
Interest and fiscal charges			23,350	23,350
Facilities acquisition		64,388	5,012	69,400
AEA flowthrough	128,700			128,700
	<u>128,700</u>	<u>64,388</u>	<u>112,271</u>	<u>305,359</u>
Total expenditures	3,426,487	185,604	230,399	3,842,490
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(189,730)	78,079	(82,864)	(194,515)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-		107,259	107,259
Operating transfers (out)	(12,380)	(107,259)		(119,639)
	<u>(12,380)</u>	<u>(107,259)</u>	<u>107,259</u>	<u>(12,380)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES	(202,110)	(29,180)	24,395	(206,895)
FUND BALANCE, beginning of year	164,208	335,710	44,785	544,703
FUND BALANCE, end of year	<u>\$ (37,902)</u>	<u>\$ 306,530</u>	<u>\$ 69,180</u>	<u>\$ 337,808</u>

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

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

Net change in fund balances - total governmental funds	\$	(206,895)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceed capital outlays in the period.</p>		
Depreciation	\$	(72,389)
Capital outlays		143,556
		71,167
Net effect of disposal of capital assets		(7,368)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.		83,909
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.		392
Early retirement payments and OPEB are expenditures in governmental funds when paid, but reduce long-term liabilities in the statement of net assets and affect the statement of activities as accrued.		
Early retirement		(58,171)
Other postemployment benefits		(48,709)
		(106,880)
Change in net assets of governmental activities per Exhibit B	\$	(165,675)

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2010

	School Nutrition Fund
ASSETS	
CURRENT ASSETS	
Cash	\$ 1,103
Inventories	7,212
Total current assets	8,315
NONCURRENT ASSETS	
Furniture and equipment	97,095
Less accumulated depreciation	(76,598)
Total noncurrent assets	20,497
Total assets	\$ 28,812
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Contracts and benefits payable	\$ 5,017
Due to other funds	5,114
Deferred revenue	1,118
Total liabilities	11,249
NET ASSETS	
Invested in capital assets, net of related debt	20,497
Unrestricted deficit	(2,934)
Total net assets	17,563
Total liabilities and net assets	\$ 28,812

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
For the Year Ended June 30, 2010

EXHIBIT F

	School Nutrition Fund
OPERATING REVENUES	
Local sources	
Charges for services	\$ 53,339
OPERATING EXPENSES	
Non-instructional programs	
Food service operations	
Salaries	58,411
Supplies	39,000
Depreciation	3,940
Total operating expenses	101,351
Operating loss	(48,012)
NONOPERATING REVENUES	
State sources	819
Federal sources	38,873
Transfer in	12,380
Total nonoperating revenues	52,072
Change in net assets	4,060
Net assets, beginning of year	13,503
Net assets, end of year	\$ 17,563

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2010

	School Nutrition Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from sale of lunches and breakfasts	\$ 51,063
Cash received from miscellaneous operating activities	2,322
Cash payments paid on behalf of employees	(12,523)
Cash payments to employees for services	(45,660)
Cash payments to suppliers for goods and services	(32,161)
	(36,959)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash payments to other funds	(7,265)
Cash received from other funds	12,380
State grants and federal grants received	31,895
	37,010
Net increase in cash equivalents	51
CASH, beginning of year	1,052
CASH, end of year	\$ 1,103
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (48,012)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	3,940
Commodities used	7,797
Decrease in accounts payable	(558)
(Increase) in inventories	(400)
Increase in salaries payable	119
Increase in benefits payable	109
Increase in deferred revenue	46
	(36,959)
Net cash used in operating activities	\$ (36,959)

Non-cash, noncapital financing activities:

During the year ended June 30, 2010, the District received commodities valued at \$7,797

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

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

b. Significant Accounting Policies

Scope of Reporting Entity

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

Joint Venture

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

Jointly Governed Organizations

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

District-wide Financial Statements

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

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

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

b. Significant Accounting Policies (Continued)

Fund Financial Statements

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

The funds of the financial reporting entity are described below:

Governmental

General Fund

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

Capital Projects Fund

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

Proprietary Fund

Enterprise Fund

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

b. Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

The District maintains its financial records on the modified accrual basis.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Equity

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

Cash, Pooled Investments and Cash Equivalents

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

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

Property Tax Receivable

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the 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.

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

Interfund Transactions

During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2010, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the District-wide statements.

Due from Other Governments

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

Inventories

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Equity (Continued)

Capital Assets

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

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

Asset Class	Amount
Land	\$ 500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	25,000
Furniture and equipment:	
School nutrition fund equipment	500
Other furniture and equipment	2,500

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	5-20 years
Intangibles	5-10 years
Furniture and equipment	3-15 years

Salaries and Benefits Payable

Payroll and related expenditures or expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities. Also, wages for hourly employees earned in June and paid in July have been accrued as liabilities. The rate in effect at June 30, 2010 was used to calculate the salaries payable.

Deferred Revenue

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Equity (Continued)

Long-term Obligation

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

Compensated Absences

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

Fund Balance

In the governmental fund financial statements:

Restrictions 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.

Commitments of fund balance are reported for amounts that are to be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education.

Assignments of fund balance are reported for amounts with the intent to be used for specific purposes by either the Board of Education or the District's management.

Unassigned fund balance is the remaining fund balance which is only reported in the general fund.

When an expenditure is incurred for purposes for more than one type of fund balance, then restricted amounts would be used first, followed by committed and assigned amounts, and then unassigned amounts.

Net Assets

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

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

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

Budgets and Budgetary Accounting

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

NOTES TO FINANCIAL STATEMENTS

2. Deposits 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.

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

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

	Amortized Cost
Diversified portfolio	\$ 248,419

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

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

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2010:

Governmental	
General fund	
Title I	\$ 23,174
Open enrollment	42,981
Special education	21,128
Other	1,382
	88,665
Capital projects	
Local option sales tax	58,620
	\$ 147,285

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets

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

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Governmental activities				
Land	\$ 10,000			\$ 10,000
Capital assets being depreciated				
Improvements	383,003			383,003
Buildings	1,993,227	\$ 9,434		2,002,661
Furniture and equipment	1,437,299	134,122	\$ (268,148)	1,303,273
Total capital assets being depreciated	3,813,529	143,556	(268,148)	3,688,937
Less accumulated depreciation for:				
Improvements	1,031,172	40,065		1,071,237
Buildings	311,209	7,061		318,270
Furniture and equipment	1,001,206	25,263	(260,782)	765,687
Total accumulated depreciation	2,343,587	72,389	(260,782)	2,155,194
Total capital assets being depreciated, net	1,469,942	71,167	(7,366)	1,533,743
Governmental activities				
Capital assets	\$ 1,479,942	\$ 71,167	\$ (7,366)	\$ 1,543,743
Business-type activities				
Furniture and equipment	\$ 97,095			\$ 97,095
Less accumulated depreciation	72,658	\$ 3,940	\$ None	76,598
Business-type activities				
Capital assets, net	\$ 24,437	\$ (3,940)	\$ None	\$ 20,497

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

Governmental activities	
Instruction	
Regular	\$ 2,669
Support services	
Administration services	1,472
Operation and maintenance	2,280
Transportation	27,124
	33,545
Unallocated depreciation	38,844
Total depreciation expense-governmental activities	\$ 72,389
Business-type activities	
Food services	\$ 3,940

NOTES TO FINANCIAL STATEMENTS

5. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2010 was as follows:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
Governmental activities					
Bonds					
General obligation	\$ 495,000		\$ 75,000	\$ 420,000	\$ 75,000
Other liabilities					
Capital leases	18,281		8,910	9,371	9,371
Early retirement	102,082	\$ 90,000	31,829	160,253	57,762
	120,363	90,000	40,739	169,624	67,133
Governmental activities					
Long-term liabilities	\$ 615,363	\$ 90,000	\$ 115,739	\$ 589,624	\$ 142,133

a. Early Retirement

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

Early retirement benefits are \$30,000 to be used to pay employee's health insurance policy.

At June 30, 2010, the District has obligations to eight participants with a total liability of \$160,253. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$31,829.

b. Bonded Indebtedness

\$420,000 1998 General Obligation Serial Bonds, due annually in varying installments May 1, 2011 through May 1, 2015 plus interest semi-annually with interest rates of the bonds varying from 4.75% to 5.05%.

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

Year Ending June 30,	Principal	Interest
2011	\$ 75,000	\$ 20,810
2012	80,000	17,173
2013	85,000	13,253
2014	90,000	9,045
2015	90,000	4,545
	\$ 420,000	\$ 64,826

NOTES TO FINANCIAL STATEMENTS

5. Long-term Debt Obligations (Continued)

b. Bonded Indebtedness (Continued)

At June 30, 2010, the debt issued by the District did not exceed its legal debt margin compiled as follows:

Total assessed valuation	<u>\$</u>	94,664,489
Debt limit – 5% of total assessed valuation	\$	4,733,224
Debt applicable to debt limit		
Capital leases		(9,371)
General obligation bonded debt outstanding		<u>(420,000)</u>
Legal debt margin	<u>\$</u>	<u>4,303,853</u>

c. Capital Leases

The District has leased one handicapped bus and several computers under capital leases. The following is a schedule of future minimum lease payments under the capital leases, together with the net present value of the minimum lease payments as of June 30, 2010.

	<u>Year Ending</u>	<u>Amount</u>
	<u>June 30,</u>	
	2011	<u>\$ 9,854</u>
Minimum lease payments		\$ 9,854
Less amount representing interest		<u>483</u>
Present value of minimum lease payments		<u>\$ 9,371</u>

6. Due to/from Other Funds

As of June 30, 2010, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due from</u>	<u>Due to</u>
	<u>Other Funds</u>	<u>Other Funds</u>
General fund	\$ 5,114	
School nutrition fund		<u>\$ 5,114</u>
	<u>\$ 5,114</u>	<u>\$ 5,114</u>

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

NOTES TO FINANCIAL STATEMENTS

7. Interfund Transfers

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

	Transfers In	Transfers Out
Capital projects fund		\$ 107,259
General fund		12,380
School nutrition fund	\$ 12,380	
Debt service fund	107,259	
Total	\$ 119,639	\$ 119,639

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

8. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA 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 the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning Year	Advances Received	Advances Repaid	Balance End of Year
2009-10A	6/25/09	6/23/10	\$ None	\$ 210,000	\$ 210,000	\$ None

During the year ended June 30, 2010, the District paid \$7,030 of interest on the ISCAP warrants.

9. Pension and Retirement Benefits

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

Plan members are required to contribute 4.30%, 4.10%, and 3.90% of their annual covered salary and the District is required to contribute 6.65%, 6.35%, and 6.05% of annual covered payroll for the years ended June 30, 2010, 2009 and 2008, respectively. Contribution requirements are established by state statute.

The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$87,877, \$83,711, and \$73,408 respectively, equal to the required contributions for each year.

10. Other Postemployment Benefits (OPEB)

Plan Description

As explained in Note 11, the District is a member of the Northeast Iowa Schools Insurance Trust (Trust) which provides medical and prescription drug benefits for retirees and their spouses. North Winneshiek Community School District has 33 active and 5 retired members in the Plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through the Trust. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy

The contribution requirements of plan members are established and may be amended by 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.

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	\$ 26,740
Interest on net OPEB obligation	622
Adjustment to annual required contribution	(3,515)
 Annual OPEB cost	 23,847
Contributions made	-
Increase in net OPEB obligation	23,847
Net OPEB obligation beginning of year	24,862
 Net OPEB obligation end of year	 \$ 48,709

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 end June 30, 2010.

For the year ended June 30, 2010, the District contributed \$None to the medical plan for the OPEB obligation. Plan members eligible for benefits contributed \$None of the premium costs for the OPEB obligation.

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 below as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 23,847	0%	\$ 48,709

10. Other Postemployment Benefits (OPEB) (Continued)*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 \$219,446, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$219,446. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1.139 million, and the ratio of the UAAL to covered payroll was 18.8%. 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.

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 provide 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 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%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

11. Employee Insurance Plan

Monthly payments of service fees and plan contributions are recorded as expenditures in the general fund at the time of payment to the trust account maintained by Midwest Group Benefits Consultants, Inc. The trust liability is limited to \$95,000 per individual annually with a \$2,000,000 per individual maximum. Payments from participating members are the sole source for paying claims and establishing reserves for the trust self-funded programs. Stop loss insurance is purchased by the trust to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. The District may be contingently liable for any claims in excess of funds available at June 30, 2010, since the pool arrangement allows the trust to make additional assessments to members. The District's share of the trust's liability for any unreported claim or assessment at June 30, 2010 was unavailable as of November 2, 2010. The District contributions to the Trust for the years ended June 30, 2010, 2009, and 2008 were \$221,033, \$247,350 and \$266,807, respectively, which equaled the required contributions each year. The employees paid \$13,328 in dental insurance for the year ended June 30, 2010.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2010, no liability has been recorded in the District's financial statements. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance company coverage.

NOTES TO FINANCIAL STATEMENTS

12. Net Assets

The government wide statement of net assets reports \$368,525 of restricted net assets, of which \$324,796 is restricted by enabling legislation. The amounts restricted at June 30, 2010 are as follows:

Restricted net assets	
Special revenue fund - PPEL	\$ 18,088
Capital projects fund	306,530
Debt service fund	178
	\$ 324,796

The governmental fund balances as of June 30, 2010 are as follows:

Restricted	
Special revenue fund - PPEL	\$ 18,088
Capital projects fund	306,530
Debt service fund	178
	324,796
Committed	
Whole grade sharing	237,204
Early retirement	43,907
	281,111
Assigned	
Education	7,007
	\$ 612,914

Chapter 298A.8 of the Code of Iowa requires the District to establish a student activity special revenue fund when the District receives money from extra-curricular activities. Those fees are to be used to support the extra-curricular activities.

13. Risk Management

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

14. 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 \$128,700 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.

15. Contingencies

a. Grant Funding

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2010 significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

b. Insurance Plan

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

16. Commitment

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

The District has entered into two agreements to purchase one school bus and lease one handicapped school bus.

17. Accounting Change

Governmental Accounting Standards Board Statement No. 51 Accounting and Financial Reporting for Intangible Assets, was implemented during fiscal year 2010. The District has no intangible assets to be reported in capital assets as of June 30, 2010.

Governmental Accounting Standards Board Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during fiscal year 2010. There was no retrospective change to fund balances as of June 30, 2010.

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NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE OF
 REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
 For the Year Ended June 30, 2010

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual
REVENUES			
Local sources	\$ 2,019,809	\$ 53,339	\$ 2,073,148
State sources	1,269,700	819	1,270,519
Federal sources	358,466	38,873	397,339
Total revenues	3,647,975	93,031	3,741,006
EXPENDITURES/EXPENSES			
Instruction	2,552,220	-	2,552,220
Support services	976,766	-	976,766
Non-instructional	8,145	101,351	109,496
Other	305,359	-	305,359
Total expenditures/expenses	3,842,490	101,351	3,943,841
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	(194,515)	(8,320)	(202,835)
OTHER FINANCING SOURCES, NET	(12,380)	12,380	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES/EXPENSES AND OTHER FINANCING USES	(206,895)	4,060	(202,835)
FUND BALANCE, beginning of year	544,703	13,503	558,206
FUND BALANCE, end of year	\$ 337,808	\$ 17,563	\$ 355,371

See Notes to Required Supplementary Information.

Budget Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 2,152,497		\$ (79,349)
1,607,443		(336,924)
239,000		158,339
<u>3,998,940</u>		<u>(257,934)</u>
2,876,000		323,780
1,045,000		68,234
122,000		12,504
391,721		86,362
<u>4,434,721</u>		<u>490,880</u>
(435,781)		232,946
35,000		(35,000)
(400,781)		197,946
613,143		(54,937)
<u>\$ 212,362</u>		<u>\$ 143,009</u>

NORTH 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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

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

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

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 (in thousands)

Fiscal 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	-	\$ 225	\$ 225	0.0%	\$ 1.179	19.1%
2010	July 1, 2008	-	\$ 219	\$ 219	0.0%	\$ 1.139	19.2%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

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

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

Our report on our audit of the financial statements of North Winneshiek Community School District as of and for the year ended June 30, 2010 appears on pages 2-3. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We have previously audited, in accordance with U.S. generally accepted auditing standards, the financial statements of North Winneshiek Community School District as of and for the years ending June 30, 2006 through 2009, none of which is presented herein, and expressed unqualified opinions on those financial statements. In our opinion, the information set forth in the required supplementary information for the years ending June 30, 2006 through 2009 appearing on pages 38 through 43, is fairly stated, in all material respects in relation to the financial statements from which it has been derived. The general purpose financial statements for the year ended June 30, 2003 and the financial statements of North Winneshiek Community School District for the years ending June 30, 2004 and 2005, were audited by other auditors who expressed unqualified opinions on those financial statements. Their reports on the information presented on page 38 related to the 2003 to 2005 financial statements stated that, in their opinion, such information was fairly stated in all material respects in relation to the 2003 to 2005 financial statements taken as a whole. On page 42 the spending authority for fiscal year 2010 has not been audited and we express no opinion on it. On page 43 the estimated enrollment for fiscal year 2011 has not been audited and we express no opinion on it.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
November 2, 2010

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2010

	Special Revenue	Debt Service	Total Nonmajor Funds
ASSETS			
Cash and pooled investments	\$ 67,632	\$ 178	\$ 67,810
Receivables			
Property tax			
Delinquent	1,370		1,370
Succeeding year	108,015		108,015
Due from other funds			-
Total assets	\$ 177,017	\$ 178	\$ 177,195
LIABILITIES AND FUND BALANCES			
Liabilities			
Deferred revenue			
Succeeding year property tax	\$ 108,015		\$ 108,015
Total liabilities	108,015	\$ -	108,015
Fund balances			
Restricted	18,088	178	18,266
Committed	43,907		43,907
Assigned	7,007		7,007
	69,002	178	69,180
Total liabilities and fund balances	\$ 177,017	\$ 178	\$ 177,195

See Independent Auditor's Report on the Supplementary Information.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010

	Special Revenue	Debt Service	Total Nonmajor Funds
REVENUES			
Local sources			
Property taxes	\$ 131,163		\$ 131,163
Other	16,286	\$ 3	16,289
State sources	83		83
Total revenues	147,532	3	147,535
EXPENDITURES			
Current			
Instruction			
Regular instruction	32,625		32,625
Other instruction	11,507		11,507
Support services			
Operation and maintenance plant services	73,996		73,996
Other			
Facilities acquisition	5,012		5,012
Long-term debt			
Principal		83,909	83,909
Interest and fiscal charges		23,350	23,350
Total expenditures	123,140	107,259	230,399
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	24,392	(107,256)	(82,864)
OTHER FINANCING SOURCES			
Transfers in	-	107,259	107,259
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND FINANCING USES	24,392	3	24,395
FUND BALANCE, beginning of year	44,610	175	44,785
FUND BALANCE, end of year	\$ 69,002	\$ 178	\$ 69,180

See Independent Auditor's Report on the Supplementary Information.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2010

	Management Levy	Physical Plant and Equipment Levy	Student Activity	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and pooled investments	\$ 42,863	\$ 17,762	\$ 7,007	\$ 67,632
Receivables				
Property tax				
Delinquent	1,044	326		1,370
Succeeding year	75,000	33,015		108,015
Total assets	<u>\$ 118,907</u>	<u>\$ 51,103</u>	<u>\$ 7,007</u>	<u>\$ 177,017</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Deferred revenue				
Succeeding year property tax	\$ 75,000	\$ 33,015		\$ 108,015
Total liabilities	<u>75,000</u>	<u>33,015</u>	<u>\$ -</u>	<u>108,015</u>
Fund balances				
Restricted		18,088		18,088
Committed	43,907			43,907
Assigned			7,007	7,007
Total fund balances	<u>43,907</u>	<u>18,088</u>	<u>7,007</u>	<u>69,002</u>
Total liabilities and fund balances	<u>\$ 118,907</u>	<u>\$ 51,103</u>	<u>\$ 7,007</u>	<u>\$ 177,017</u>

See Independent Auditor's Report on the Supplementary Information.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2010

	Management Levy	Physical Plant and Equipment Levy	Student Activity	Total Nonmajor Special Revenue Funds
REVENUES				
Local sources				
Local property tax	\$ 99,942	\$ 31,221		\$ 131,163
Other	818	127	\$ 15,341	16,286
State sources	63	20		83
Total revenues	100,823	31,368	15,341	147,532
EXPENDITURES				
Current				
Instruction				
Regular instruction	32,625			32,625
Other instruction			11,507	11,507
Support services				
Operation and maintenance plant services	42,899	31,097		73,996
Other				
Facilities acquisition		5,012		5,012
Total expenditures	75,524	36,109	11,507	123,140
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	25,299	(4,741)	3,834	24,392
FUND BALANCE, beginning of year	18,608	22,829	3,173	44,610
FUND BALANCE, end of year	\$ 43,907	\$ 18,088	\$ 7,007	\$ 69,002

See Independent Auditor's Report on the Supplementary Information.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 For the Year Ended June 30, 2010

	Balance June 30, 2009	Revenues	Expenditures	Balance June 30, 2010
Summer Recreation	\$ 2,414	\$ 4,977	\$ 2,266	\$ 5,125
Staff Activity	848	508	494	862
Athletics	(2,180)	337	596	(2,439)
Elementary Recreation	(403)	-	-	(403)
Yearbook	(714)	1,570	1,260	(404)
Elementary Student Council	716	148	386	478
Middle Student Council	22	556	519	59
Clearing	-	1,518	1,518	-
Miscellaneous Student Activity	1,317	1,820	1,504	1,633
Box tops/Milk caps	694	1,645	741	1,598
Fifth grade	459	462	640	281
Food and Fitness	-	1,800	1,583	217
	<u>\$ 3,173</u>	<u>\$ 15,341</u>	<u>\$ 11,507</u>	<u>\$ 7,007</u>

See Independent Auditor's Report on the Supplementary Information.

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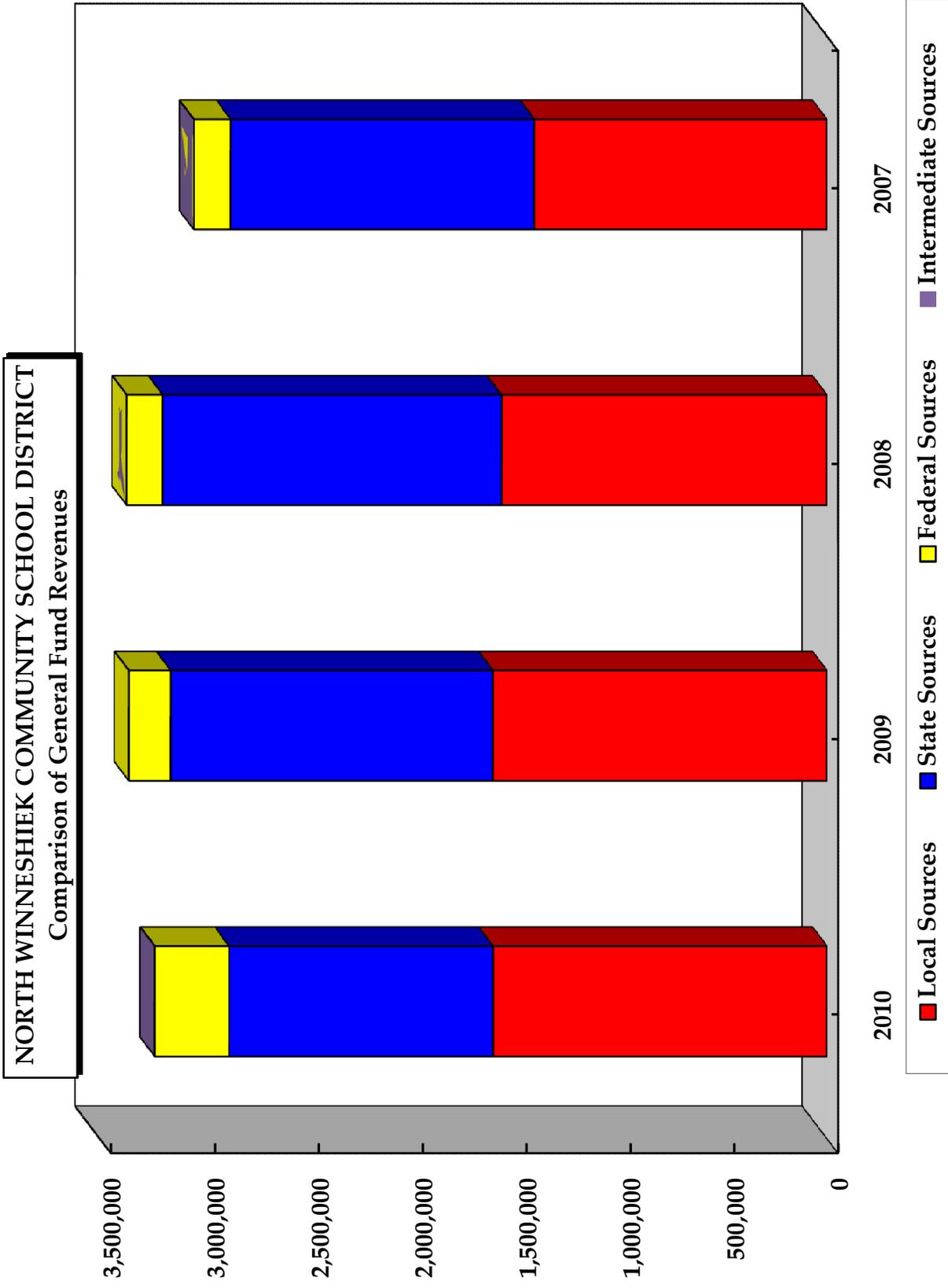
NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
 GOVERNMENTAL FUNDS
 For the Years Ended June 30,

	2010	2009	2008
REVENUES			
Local sources			
Local tax	\$ 1,406,581	\$ 1,346,276	\$ 1,265,229
Tuition	245,949	256,721	275,148
Other	367,279	386,371	369,488
Intermediate sources	-	-	-
State sources	1,269,700	1,551,870	1,630,503
Federal sources	358,466	199,856	172,083
Total revenues	\$ 3,647,975	\$ 3,741,094	\$ 3,712,451
EXPENDITURES			
Current			
Instruction			
Regular instruction	\$ 1,734,694	\$ 1,599,614	\$ 1,535,079
Special instruction	491,741	620,954	588,889
Other instruction	325,785	293,878	201,442
Support services			
Student services	99,303	69,838	106,128
Instructional staff services	75,417	67,753	40,082
Administration services	273,572	298,561	279,909
Operation and maintenance plant services	324,585	261,088	233,406
Transportation services	203,889	207,208	232,682
Non-instructional	8,145	5,608	5,972
Other			
Facilities acquisition	69,400	104,688	26,780
Long-term debt			
Principal	83,909	70,400	93,323
Interest and fiscal charges	23,350	27,088	30,678
AEA flowthrough	128,700	118,943	117,281
Total expenditures	\$ 3,842,490	\$ 3,745,621	\$ 3,491,651

See Independent Auditor's Report on the Supplementary Information.

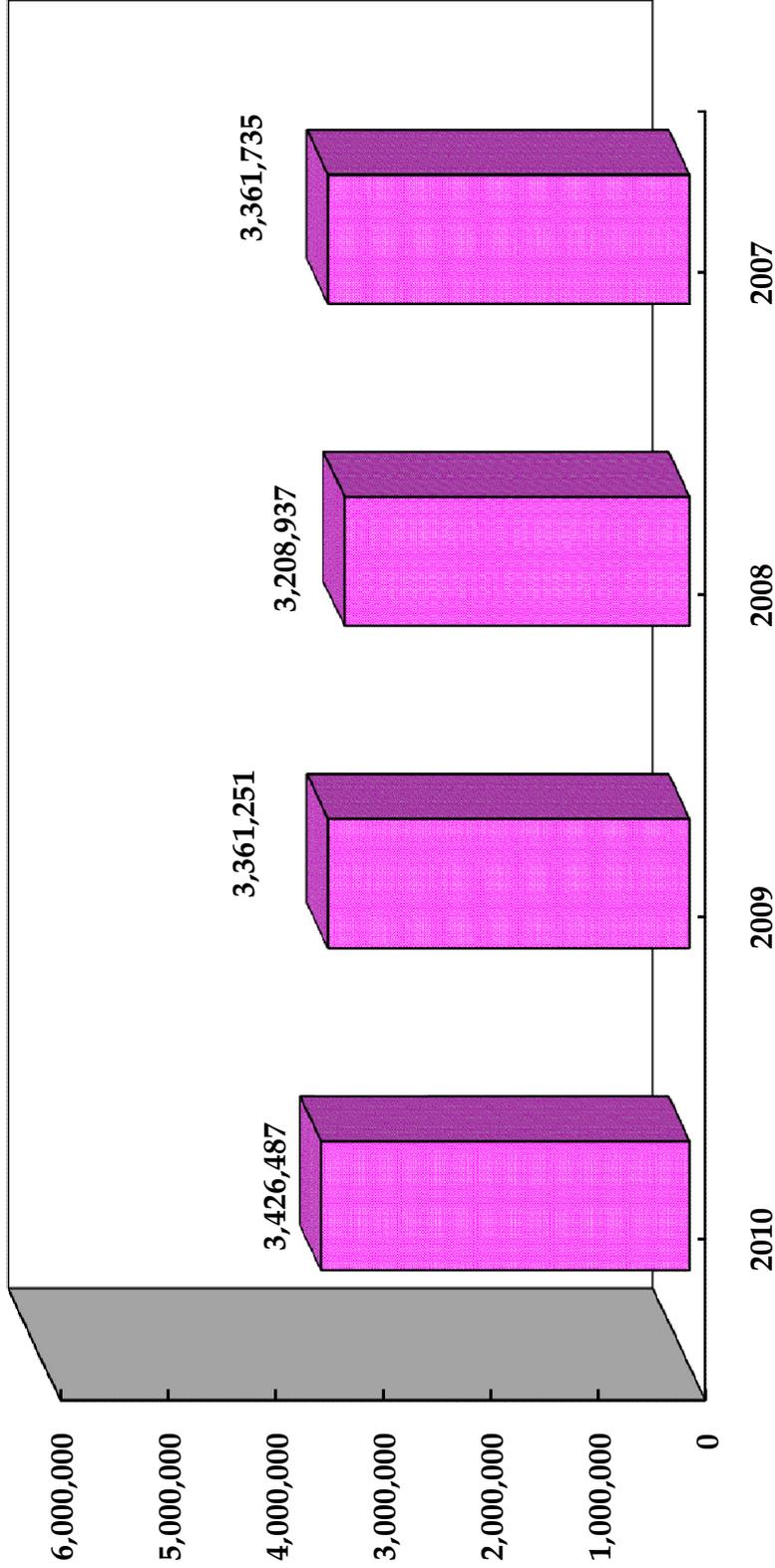
SCHEDULE 6

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

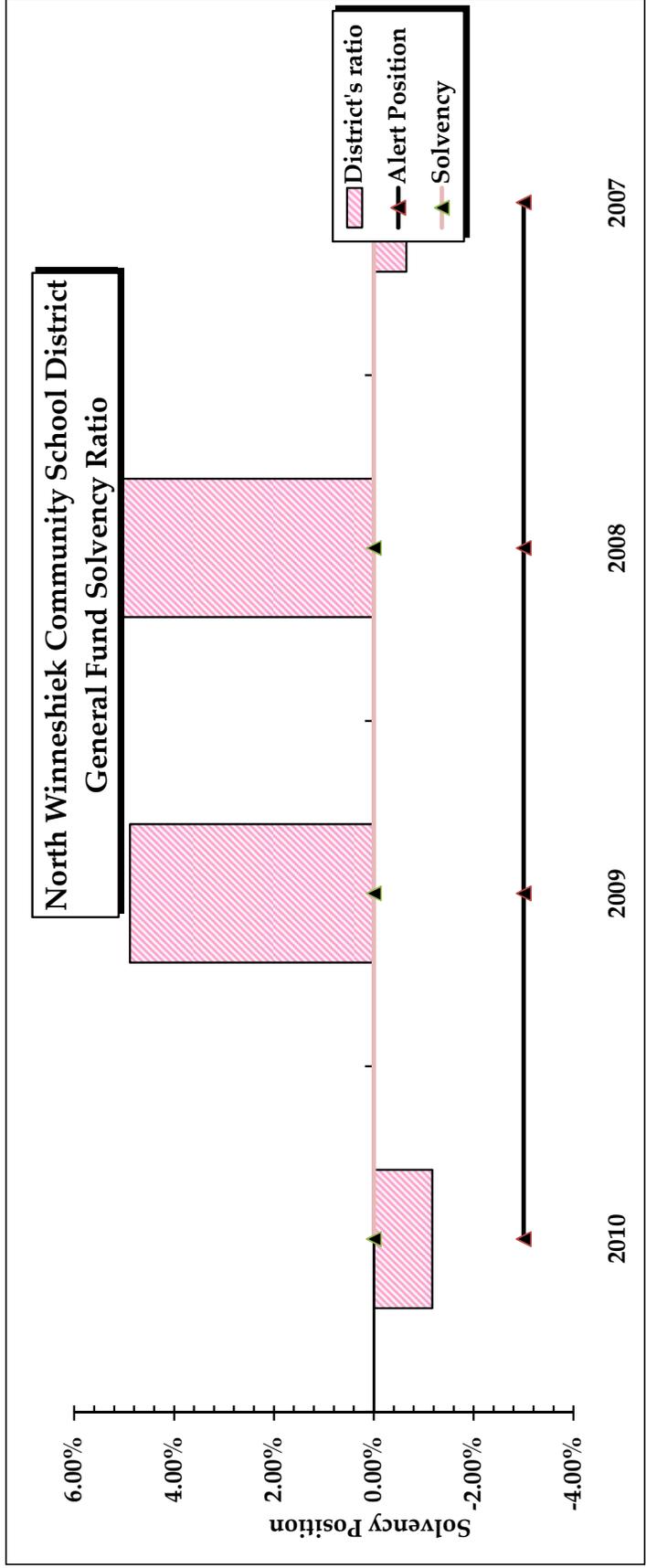


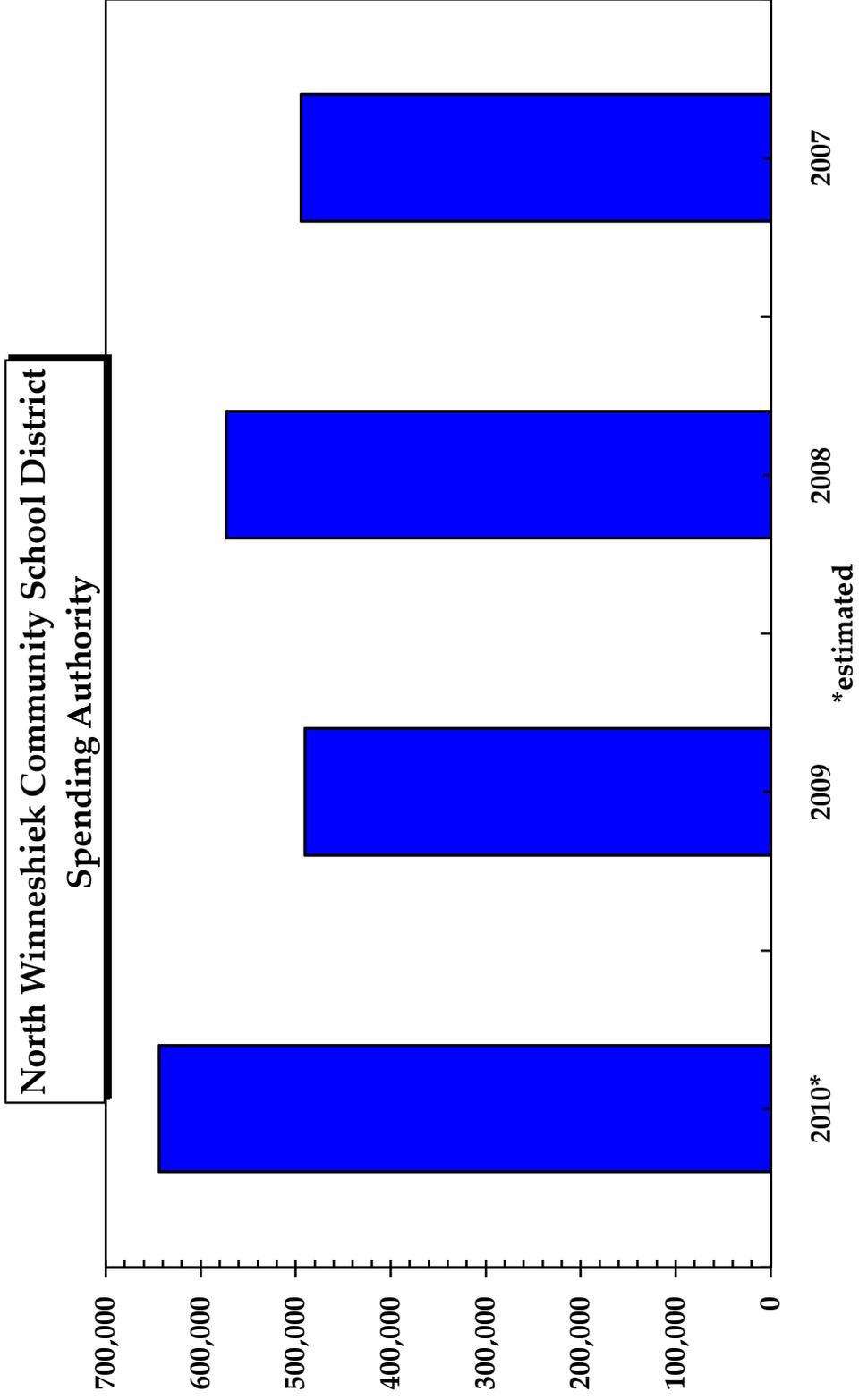
See Independent Auditor's Report on the Supplementary Information.

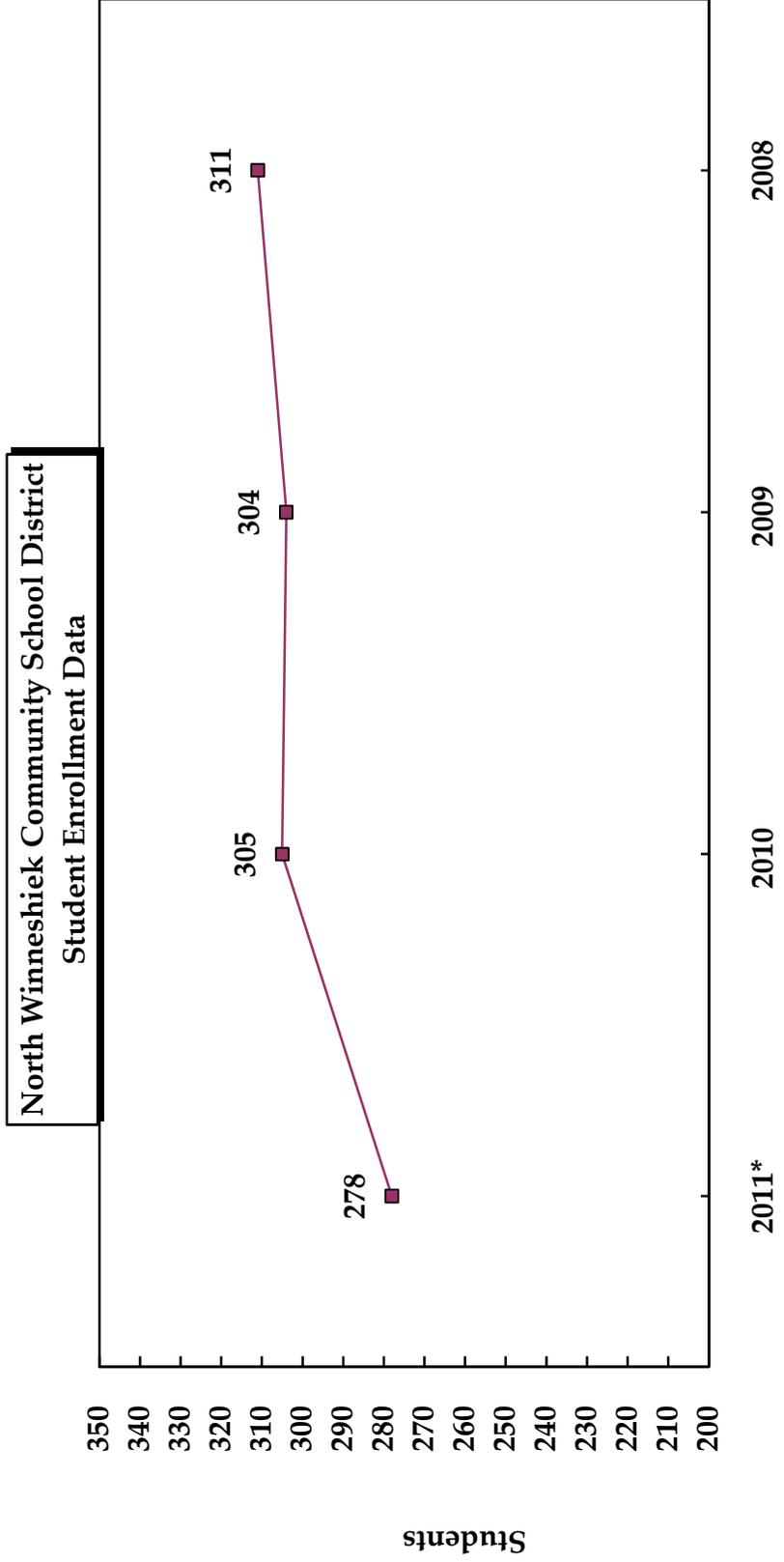
NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
Comparison of General Fund Expenditures



Totals By Year



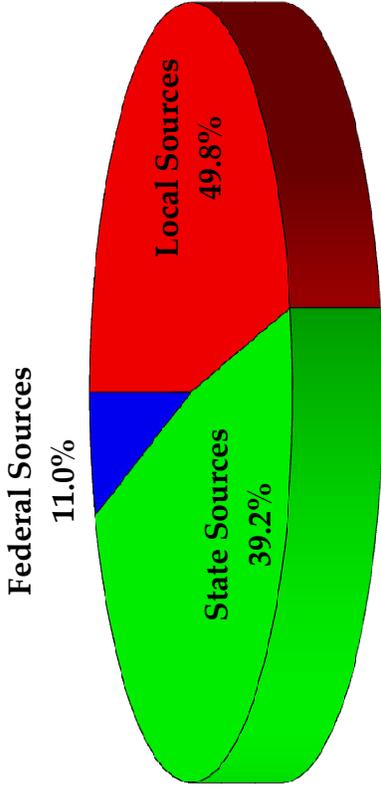




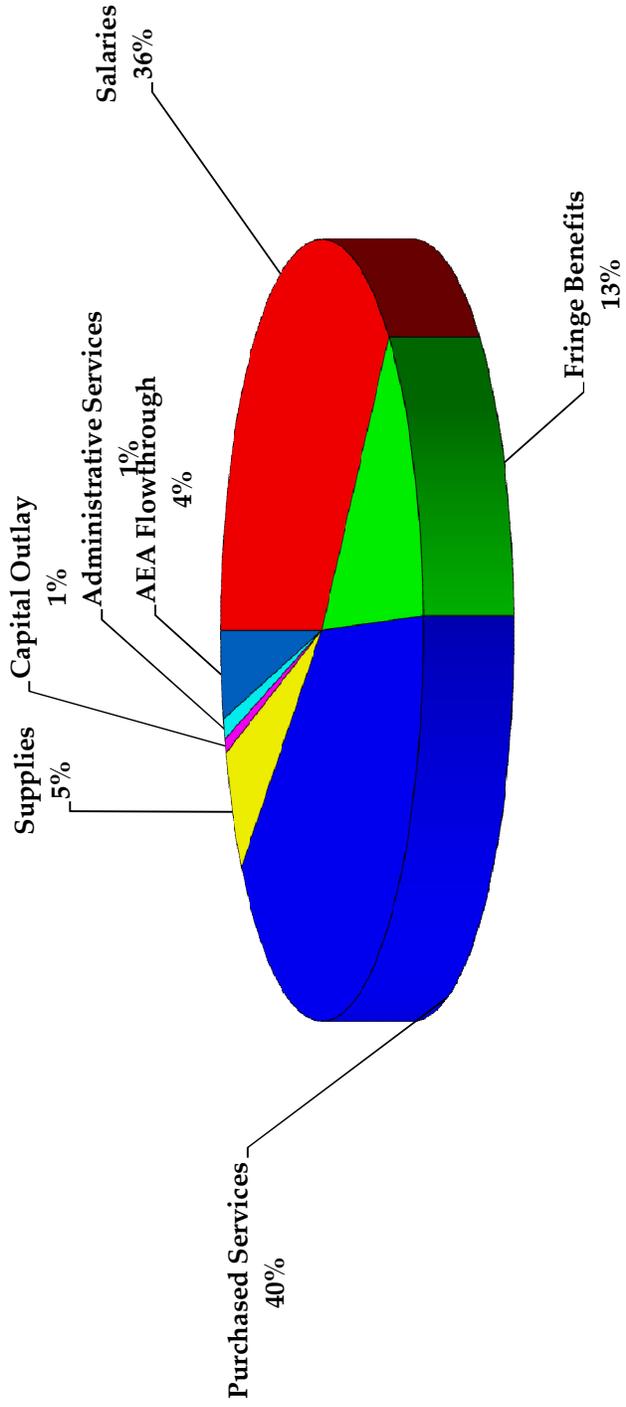
Resource: Total School Enrollment, Not Certified Enrollment, Line 11 of Certified Enrollment Form

*estimated enrollment

**NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
General Fund Revenue Analysis Year Ended June 30, 2010**



**NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
General Fund Expenditure Analysis Year Ended June 30, 2010**



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Winneshiek Community School District as of and for the year ended June 30, 2010, which collectively comprise North Winneshiek Community School District's basic financial statements and have issued our report thereon dated November 2, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, as discussed below that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a 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.

1. Financial Report Preparation

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

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

Response

Management is cognizant of this limitation.

Conclusion

Response acknowledged.

2. Overlapping Duties

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

Response

Management is cognizant of this limitation.

Conclusion

Response acknowledged.

Compliance and Other Matters

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

We noted certain matters that we reported to management of North Winneshiek Community School District in a separate letter dated November 2, 2010.

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

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

Hacher, Nelson & Co., P.C.

Decorah, Iowa
November 2, 2010

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MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of North Winneshiek Community School District for the year ended June 30, 2010, we considered the District's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the District's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 thru 13 below are compliance comments required by the Iowa Auditor of State. A separate report dated November 2, 2010 contains our report on significant deficiencies in the District's internal control. This letter does not affect our report dated November 2, 2010, on the financial statements of the North Winneshiek Community School District. Comment number 14 is a repeat comment from the prior year. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the District's responses and, accordingly, we express no opinion on them.

1. Certified Budget
Disbursements for the year ended June 30, 2010, did not exceed the amounts budgeted.
2. Questionable Expenditures
We noted no expenditures that may not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.
3. Travel Expense
No expenditures of District money for travel expenses of spouses of District officials and/or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions
We noted no business transactions between the District and District officials and/or employees for the year ended June 30, 2010.
5. Bond Coverage
Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes
We noted no transactions requiring Board approval, which had not been, approved by the Board. We also noted no minutes and bills that had not been published as required.

7. Certified Enrollment
No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting
No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments
No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
10. Certified Annual Report
The Certified Annual Report (CAR) was certified to the Iowa Department of Education timely.
11. Categorical Funding
No instances were noted of categorical funding being used to supplant rather than supplement other funds.
12. Student Activity Fund
No instances of noncompliance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), for money in the Student Activity Fund which should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program were noted.
13. Statewide Sales and Services Tax
No instances of noncompliance 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, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance		\$	None
Statewide sales, services and use tax			263,372
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$	164,285	
Debt service for school infrastructure:			
General obligation debt		99,087	263,372
Ending balance		\$	None

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
Debt service levy	\$ 1.05	\$ 99,087
Public educational and recreational levy	1.73	164,285
		\$ 263,372

14. Student Activity Funds Deficits

As of June 30, 2010, several individual student activity accounts have negative account balances. Some of these accounts historically have had operating deficits.

Recommendation

We recommend that a plan be established to eliminate the deficit accounts including but not limited to the reallocation of funds among the accounts.

Response and Corrective Action Planned

Our objective is to report what the activities true picture are at June 30 and make intrafund transfers if appropriate on July 1.

Conclusion

Response accepted.

15. Hot Lunch Claims

While performing the ticket test for hot lunch, it was noted that for the month of March there were more breakfasts submitted to the State for reimbursement than recorded.

Recommendation

We recommend the corrected claim be filed in an attempt to correct the amount received for reimbursement.

Response and Corrective Action Planned

The District is working with Patty Hardy from the State of Iowa to pay back the reimbursement that was over paid in FY10.

Conclusion

Response accepted.

16. Fund Balance Deficit

At June 30, 2010, the general fund had a fund balance deficit of \$37,902.

Recommendation

Management needs to monitor the fund to avoid any problems with their spending authority in the future.

Response and Corrective Action Planned

For FY11, the North Winneshiek Community School Board imposed a cash reserve levy of \$365,478 to generate revenue for the general fund. Specially, the Board increased the levy by \$165,478 to cover the state's 10% across the board cut from October 2009.

Conclusion

Response accepted.

We have also provided you under separate cover a listing of general steps that you should review and consider implementing to strengthen controls. This list is not all inclusive. You should review all aspects of your operations and implement appropriate controls as deemed necessary. Some of these items may not be applicable or you may have already implemented them.

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

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