

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

FINANCIAL REPORT

JUNE 30, 2011

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NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION AND SCHOOL OFFICIALS

| Name | Title | Address | Term Expires |
|----------------------------------|-----------------------|----------------------|---------------------|
| <u>Board of Education</u> | | | |
| 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

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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, 2011, 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, 2011, 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 October 26, 2011 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
October 26, 2011

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

**Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2011**

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, 2011.

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 increased by \$244,763. District revenues increased by 6.5% or approximately \$234,000, with federal grants decreased by \$107,100 and state aid increased by \$219,000. District program expenses were 4.67% or approximately \$177,000 less in 2011 than in 2010.

General fund revenues accounted for \$3,565,046 in revenue or 90.5% of all revenues. General fund expenditures accounted for \$3,402,282 in expenditures or 87.3% 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 statewide sales, services and use tax - 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 funds.

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 statewide sales, services and use tax - 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 2011 totaled \$1,520,766.

Condensed Statement of Net Assets (Expressed in Thousands)

| | Governmental | | Business-type | | Total | | Percent Change |
|--|--------------|------------|---------------|------------|----------|----------|-------------------|
| | Activities | Activities | Activities | Activities | 2011 | 2010 | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | |
| Current and other assets | \$ 2,326 | \$ 2,166 | \$ 9 | \$ 8 | \$ 2,335 | \$ 2,174 | 7.41% |
| Capital assets | 1,635 | 1,544 | 17 | 20 | 1,652 | 1,564 | 5.63% |
| Total assets | 3,961 | 3,710 | 26 | 28 | 3,987 | 3,738 | 6.66% |
| Long-term debt outstanding | 527 | 639 | - | - | 527 | 639 | -17.53% |
| Other liabilities | 1,948 | 1,830 | (9) | 11 | 1,939 | 1,841 | 5.32% |
| Total liabilities | 2,475 | 2,469 | (9) | 11 | 2,466 | 2,480 | -0.56% |
| Net assets | | | | | | | |
| Invested in capital assets, net of related debt | 1,264 | 1,114 | 17 | 20 | 1,281 | 1,134 | 12.96% |
| Restricted | 289 | 325 | - | - | 289 | 325 | -11.08% |
| Unrestricted | (67) | (198) | 18 | (3) | (49) | (201) | -75.62% |
| Total net assets | \$ 1,486 | \$ 1,241 | \$ 35 | \$ 17 | \$ 1,521 | \$ 1,258 | 20.91% |

The following analysis shows the change in net assets for the year ending June 30, 2011:

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

| | Governmental Activities | | Business-type Activities | | Total | | Percent Change |
|-----------------------------------|-------------------------|-----------------|--------------------------|--------------|-----------------|-----------------|----------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | |
| Revenues: | | | | | | | |
| Program revenue | | | | | | | |
| Charges for service | \$ 274 | \$ 305 | \$ 49 | \$ 53 | \$ 323 | \$ 358 | -9.78% |
| Operating grants | 601 | 668 | 43 | 40 | 644 | 708 | -9.04% |
| General revenue | | | | | | | |
| Property taxes | 1,568 | 1,406 | - | - | 1,568 | 1,406 | 11.52% |
| Sales tax and surtax | 248 | 263 | - | - | 248 | 263 | -5.70% |
| Unrestricted state grants | 1,138 | 959 | - | - | 1,138 | 959 | 18.67% |
| Unrestricted investment earnings | 1 | 7 | - | - | 1 | 7 | -85.71% |
| Other revenue | 32 | 20 | 34 | 12 | 66 | 32 | 106.25% |
| Total revenues | <u>3,862</u> | <u>3,628</u> | <u>126</u> | <u>105</u> | <u>3,988</u> | <u>3,733</u> | <u>6.83%</u> |
| Program expenses: | | | | | | | |
| Instruction | 2,522 | 2,694 | - | - | 2,522 | 2,694 | -6.38% |
| Student support | 848 | 886 | - | - | 848 | 886 | -4.29% |
| Non-instructional programs | 7 | 8 | 108 | 101 | 115 | 109 | 5.50% |
| Other expenses | 240 | 206 | - | - | 240 | 206 | 16.50% |
| Total expenses | <u>3,617</u> | <u>3,794</u> | <u>108</u> | <u>101</u> | <u>3,725</u> | <u>3,895</u> | <u>-4.36%</u> |
| Increase (decrease) in net assets | 245 | (166) | 18 | 4 | 263 | (162) | -262.35% |
| Net assets Beginning of Year | <u>1,241</u> | <u>1,407</u> | <u>17</u> | <u>13</u> | <u>1,258</u> | <u>1,420</u> | <u>-11.41%</u> |
| Net assets End of Year | <u>\$ 1,486</u> | <u>\$ 1,241</u> | <u>\$ 35</u> | <u>\$ 17</u> | <u>\$ 1,521</u> | <u>\$ 1,258</u> | <u>20.91%</u> |

INDIVIDUAL FUND ANALYSIS

As the District completed the year, its governmental funds reported a combined fund balance of \$380,474, a \$42,666 increase of the 2010 fiscal year end balance of \$337,808. The District spent \$53,847 less than the prior fiscal year.

- The general fund received more revenue during fiscal year 2011 through state aid. The general fund expenditures decreased in instruction and the non-instructional functions while increasing in support services. In total general fund expenditures decreased by \$24,205. The ending fund balance showed an increase of \$128,878 to \$90,976.
- 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 2011 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 | \$ 2,249 | \$ 2,302 | \$ (53) | |
| State sources | 1,490 | 1,606 | (116) | |
| Federal sources | 293 | 209 | 84 | |
| Total revenues | \$ 4,032 | \$ 4,117 | \$ (85) | |
| Expenditures | | | | |
| Instruction | \$ 2,518 | \$ 2,825 | \$ 307 | |
| Student support | 1,041 | 925 | (116) | |
| Non-instructional programs | 116 | 105 | (11) | |
| Other expenses | 330 | 324 | (6) | |
| Total expenditures | \$ 4,005 | \$ 4,179 | \$ 174 | |

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2011, North Winneshiek Community School District had \$1,634,962 invested in a broad range of capital assets, including buildings, land and equipment for the governmental activities. For the enterprise funds, the District had \$16,674 invested in equipment in the school nutrition fund.

The District's governmental activities had depreciation expense of \$102,900 for fiscal 2011 and total accumulated depreciation of \$2,202,015 as of June 30, 2011. 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 \$473,585 in bonds and other debt compared to approximately \$589,624 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 \$4,974,890 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 for funding increased from FY12 278 to FY13 289 which is a net gain of 12 students.

The FY13 regular program District cost will be \$1,765,212. The FY12 regular program District cost was \$1,843,405. The District will see a \$78,193 reduction in regular program funding for the FY13 school year.

2. Supplemental Weighting

North Winneshiek Community School District will receive supplemental weighting in the amount of .647 students for FY13. The supplemental weighting provides additional general fund revenue for the District.

3. General Fund Balance

The FY10 general fund balance was \$-37,902. The FY11 general fund balance was \$90,976. The balance increased by \$128,878. The District continues to impose a cash reserve levy of \$246,664.

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 FY11, the District had a 2.5% 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 increased from FY10 \$601,198 to FY11 \$669,669 which is a \$68,471 increase.

The unspent balance ratio is based upon the District's spending authority. The ratio is derived from the unspent balance (spending authority) divided by the total general fund expenditures. **For FY11, the District's unspent balance ratio was 19.0%.** 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, 2011

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Cash and pooled investments | \$ 596,809 | \$ 1,586 | \$ 598,395 |
| Receivables | | | |
| Property tax | | | |
| Delinquent | 19,115 | | 19,115 |
| Succeeding year | 1,629,659 | | 1,629,659 |
| Accrued interest | 20 | | 20 |
| Due from other governments | 80,603 | | 80,603 |
| Inventories | | 7,501 | 7,501 |
| Capital assets, non-depreciable | 10,000 | | 10,000 |
| Capital assets, net of accumulated depreciation | 1,624,962 | 16,674 | 1,641,636 |
| | <u>\$ 3,961,168</u> | <u>\$ 25,761</u> | <u>\$ 3,986,929</u> |
| Total assets | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 98,884 | | \$ 98,884 |
| Salaries and benefits payable | 202,136 | \$ 5,234 | 207,370 |
| Interfund payable (receivable) | 15,053 | (15,053) | - |
| Accrued interest payable | 2,438 | | 2,438 |
| Deferred revenue | | | |
| Succeeding year property tax | 1,629,659 | | 1,629,659 |
| Other | | 959 | 959 |
| Long-term liabilities | | | |
| Portion due within one year | | | |
| Bonds payable | 80,000 | | 80,000 |
| Capital leases | 6,097 | | 6,097 |
| Early retirement | 50,868 | | 50,868 |
| Portion due after one year | | | |
| Bonds payable | 265,000 | | 265,000 |
| Capital leases | 19,881 | | 19,881 |
| Early retirement | 51,739 | | 51,739 |
| Net OPEB liability | 53,268 | | 53,268 |
| | <u>2,475,023</u> | <u>(8,860)</u> | <u>2,466,163</u> |
| Total liabilities | | | |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 1,263,983 | 16,674 | 1,280,657 |
| Restricted for | | | |
| Capital projects | 246,128 | | 246,128 |
| Other purposes | 43,370 | | 43,370 |
| Unrestricted (deficit) | (67,336) | 17,947 | (49,389) |
| | <u>1,486,145</u> | <u>34,621</u> | <u>1,520,766</u> |
| Total net assets | | | |
| Total liabilities and net assets | <u>\$ 3,961,168</u> | <u>\$ 25,761</u> | <u>\$ 3,986,929</u> |

See Notes to Financial Statements.

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NORTH WINNESHEIK COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

| Functions and Programs | Expenses | Program Revenues | |
|--|---------------------|-------------------------|---------------------|
| | | Charges for Services | Operating Grants |
| Governmental activities | | | |
| Instruction | | | |
| Regular instruction | \$ 1,692,263 | \$ 246,289 | \$ 504,472 |
| Special instruction | 507,819 | | 96,344 |
| Other instruction | 321,376 | 3,484 | |
| | <u>2,521,458</u> | <u>249,773</u> | <u>600,816</u> |
| Support services | | | |
| Student services | 82,825 | 17,679 | |
| Instructional staff services | 123,309 | | |
| Administration services | 243,227 | | |
| Operation and maintenance plant services | 325,824 | | |
| Transportation services | 72,897 | 6,180 | 433 |
| | <u>848,082</u> | <u>23,859</u> | <u>433</u> |
| Non-instructional | <u>7,291</u> | | |
| Other | | | |
| Long-term debt interest | 21,673 | | |
| Facilities acquisition | 23,994 | | |
| AEA flowthrough | 130,898 | | |
| Depreciation (unallocated) | 63,237 | | |
| | <u>239,802</u> | <u>-</u> | <u>-</u> |
| Total governmental activities | 3,616,633 | 273,632 | 601,249 |
| Business-type activities | | | |
| Non-instructional programs | | | |
| Nutrition services | 108,790 | 49,124 | 42,838 |
| Total | \$ 3,725,423 | \$ 322,756 | \$ 644,087 |
| 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 |
| \$ (941,502) | | \$ (941,502) |
| (411,475) | | (411,475) |
| (317,892) | | (317,892) |
| <u>(1,670,869)</u> | | <u>(1,670,869)</u> |
| (65,146) | | (65,146) |
| (123,309) | | (123,309) |
| (243,227) | | (243,227) |
| (325,824) | | (325,824) |
| (66,284) | | (66,284) |
| <u>(823,790)</u> | | <u>(823,790)</u> |
| (7,291) | | (7,291) |
| (21,673) | | (21,673) |
| (23,994) | | (23,994) |
| (130,898) | | (130,898) |
| (63,237) | | (63,237) |
| <u>(239,802)</u> | \$ - | <u>(239,802)</u> |
| (2,741,752) | | (2,741,752) |
| | (16,828) | (16,828) |
| <u>(2,741,752)</u> | <u>(16,828)</u> | <u>(2,758,580)</u> |
| 1,459,642 | | 1,459,642 |
| 74,983 | | 74,983 |
| 33,007 | | 33,007 |
| 248,487 | | 248,487 |
| 1,138,071 | | 1,138,071 |
| 895 | | 895 |
| (33,886) | 33,886 | - |
| (44,433) | | (44,433) |
| 109,749 | | 109,749 |
| <u>2,986,515</u> | <u>33,886</u> | <u>3,020,401</u> |
| 244,763 | 17,058 | 261,821 |
| <u>1,241,382</u> | <u>17,563</u> | <u>1,258,945</u> |
| <u>\$ 1,486,145</u> | <u>\$ 34,621</u> | <u>\$ 1,520,766</u> |

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

| | General | Capital Projects Statewide Sales, Services and Use Tax | Nonmajor Governmental Funds | Total Governmental Funds |
|--------------------------------------|---------------------|--|-----------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and pooled investments | | | | |
| Other | \$ 353,532 | \$ 201,304 | \$ 41,973 | \$ 596,809 |
| Receivables | | | | |
| Property tax | | | | |
| Delinquent | 17,718 | | 1,397 | 19,115 |
| Succeeding year | 1,497,858 | | 131,801 | 1,629,659 |
| Accrued interest | 20 | | | 20 |
| Due from other governments | 35,779 | 44,824 | | 80,603 |
| Total assets | <u>\$ 1,904,907</u> | <u>\$ 246,128</u> | <u>\$ 175,171</u> | <u>\$ 2,326,206</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 98,884 | | | \$ 98,884 |
| Salaries and benefits payable | 202,136 | | | 202,136 |
| Due to other funds | 15,053 | | | 15,053 |
| Deferred revenue | | | | |
| Succeeding year property tax | 1,497,858 | | \$ 131,801 | 1,629,659 |
| Total liabilities | <u>1,813,931</u> | <u>\$ -</u> | <u>131,801</u> | <u>1,945,732</u> |
| Fund balances | | | | |
| Restricted | | 246,128 | 43,370 | 289,498 |
| Unassigned | 90,976 | | | 90,976 |
| Total fund balances | <u>90,976</u> | <u>246,128</u> | <u>43,370</u> | <u>380,474</u> |
| Total liabilities and fund balances | <u>\$ 1,904,907</u> | <u>\$ 246,128</u> | <u>\$ 175,171</u> | <u>\$ 2,326,206</u> |

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET ASSETS

| | |
|--|---------------------|
| Total governmental fund balances | \$ 380,474 |
| 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 \$ 2,202,015 | 1,634,962 |
| 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 | (345,000) |
| Capital leases | (25,978) |
| Accrued interest | (2,438) |
| Early retirement | (102,607) |
| Net OPEB obligation | (53,268) |
| Net assets of governmental activities per Exhibit A | <u>\$ 1,486,145</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, 2011

| | General | Capital Projects Statewide Sales, Services and Use Tax | Nonmajor Governmental Funds | Total |
|--|------------------|--|-----------------------------------|-------------------|
| REVENUES | | | | |
| Local sources | | | | |
| Local property tax | \$ 1,459,642 | | \$ 125,669 | \$ 1,585,311 |
| Tuition | 241,025 | | | 241,025 |
| Other | 124,302 | \$ 248,697 | 244 | 373,243 |
| State sources | 1,488,709 | | 59 | 1,488,768 |
| Federal sources | 251,368 | | | 251,368 |
| Total revenues | <u>3,565,046</u> | <u>248,697</u> | <u>125,972</u> | <u>3,939,715</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | | | | |
| Regular instruction | 1,572,617 | 24,006 | 91,915 | 1,688,538 |
| Special instruction | 507,819 | | | 507,819 |
| Other instruction | 304,793 | | 16,583 | 321,376 |
| | <u>2,385,229</u> | <u>24,006</u> | <u>108,498</u> | <u>2,517,733</u> |
| Support services | | | | |
| Student services | 87,726 | | | 87,726 |
| Instructional staff services | 123,309 | 9,437 | | 132,746 |
| Administration services | 300,873 | | | 300,873 |
| Operation and maintenance plant services | 172,302 | 110,757 | 42,054 | 325,113 |
| Transportation services | 194,654 | | | 194,654 |
| | <u>878,864</u> | <u>120,194</u> | <u>42,054</u> | <u>1,041,112</u> |
| Non-instructional | 7,291 | | | 7,291 |
| Other | | | | |
| Long-term debt | | | | |
| Principal | | | 91,566 | 91,566 |
| Interest and fiscal charges | | | 21,071 | 21,071 |
| Facilities acquisition | | 85,436 | 1,230 | 86,666 |
| AEA flowthrough | 130,898 | | | 130,898 |
| | <u>130,898</u> | <u>85,436</u> | <u>113,867</u> | <u>330,201</u> |
| Total expenditures | <u>3,402,282</u> | <u>229,636</u> | <u>264,419</u> | <u>3,896,337</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>162,764</u> | <u>19,061</u> | <u>(138,447)</u> | <u>43,378</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from capital lease | | 33,174 | | 33,174 |
| Operating transfers in | | | 112,637 | 112,637 |
| Operating transfers (out) | (33,886) | (112,637) | | (146,523) |
| | <u>(33,886)</u> | <u>(79,463)</u> | <u>112,637</u> | <u>(712)</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES | 128,878 | (60,402) | (25,810) | 42,666 |
| FUND BALANCE, beginning of year | (37,902) | 306,530 | 69,180 | 337,808 |
| FUND BALANCE, end of year | <u>\$ 90,976</u> | <u>\$ 246,128</u> | <u>\$ 43,370</u> | <u>\$ 380,474</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, 2011

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 | \$ | 42,666 |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.</p> | | |
| Depreciation | \$ (102,900) | |
| Capital outlays | 238,554 | 135,654 |
| Net effect of disposal of capital assets | | (44,433) |
| 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. | | 91,566 |
| Proceeds of capital lease issuance are included in the governmental funds but increase long-term liabilities in the statement of activities. | | (33,174) |
| 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. | | (603) |
| 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 | 57,646 | |
| Other postemployment benefits | (4,559) | 53,087 |
| Change in net assets of governmental activities per Exhibit B | \$ | 244,763 |

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2011

| | School Nutrition Fund |
|---|-----------------------------|
| ASSETS | |
| CURRENT ASSETS | |
| Cash | \$ 1,586 |
| Due from other funds | 15,053 |
| Inventories | 7,501 |
| Total current assets | 24,140 |
| NONCURRENT ASSETS | |
| Furniture and equipment | 97,095 |
| Less accumulated depreciation | (80,421) |
| Total noncurrent assets | 16,674 |
| Total assets | \$ 40,814 |
| LIABILITIES AND NET ASSETS | |
| CURRENT LIABILITIES | |
| Contracts and benefits payable | \$ 5,234 |
| Deferred revenue | 959 |
| Total liabilities | 6,193 |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 16,674 |
| Unrestricted deficit | 17,947 |
| Total net assets | 34,621 |
| Total liabilities and net assets | \$ 40,814 |

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, 2011

| | School Nutrition Fund |
|-------------------------------|-----------------------------|
| OPERATING REVENUES | |
| Local sources | |
| Charges for services | \$ 49,124 |
| OPERATING EXPENSES | |
| Non-instructional programs | |
| Food service operations | |
| Salaries | 62,620 |
| Supplies | 42,347 |
| Depreciation | 3,823 |
| Total operating expenses | 108,790 |
| Operating loss | (59,666) |
| NONOPERATING REVENUES | |
| State sources | 738 |
| Federal sources | 42,100 |
| Transfer in | 33,886 |
| Total nonoperating revenues | 76,724 |
| Change in net assets | 17,058 |
| Net assets, beginning of year | 17,563 |
| Net assets, end of year | \$ 34,621 |

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2011

| | School Nutrition Fund |
|--|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from sale of lunches and breakfasts | \$ 45,342 |
| Cash received from miscellaneous operating activities | 3,623 |
| Cash payments paid on behalf of employees | (13,494) |
| Cash payments to employees for services | (48,909) |
| Cash payments to suppliers for goods and services | (33,967) |
| | (47,405) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Cash payments to other funds | (20,167) |
| Cash received from other funds | 33,886 |
| State grants and federal grants received | 34,169 |
| | 47,888 |
| Net increase in cash equivalents | 483 |
| CASH, beginning of year | 1,103 |
| CASH, end of year | \$ 1,586 |
| Reconciliation of operating loss to net cash used in operating activities | |
| Operating loss | \$ (59,666) |
| Adjustments to reconcile operating loss to net cash used in operating activities | |
| Depreciation | 3,823 |
| Commodities used | 8,669 |
| (Increase) in inventories | (289) |
| Increase in salaries payable | 144 |
| Increase in benefits payable | 73 |
| Decrease in deferred revenue | (159) |
| | (47,405) |

Non-cash, noncapital financing activities:

During the year ended June 30, 2011, the District received commodities valued at \$8,669.

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. 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. The major fund in this category is statewide sales, services and use tax.

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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications—committed, assigned and then unassigned fund balances.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

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, 2011, 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, 2011 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.

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

Net Assets

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

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

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

Budgets and Budgetary Accounting

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

2. Deposits and Pooled Investments

The District's deposits in banks at June 30, 2011 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.

NOTES TO FINANCIAL STATEMENTS

2. Deposits and Pooled Investments (Continued)

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust as follows:

| | <u>Amortized Cost</u> |
|-----------------------|-----------------------|
| Diversified portfolio | \$ 201,815 |

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, 2011:

| | |
|------------------------|------------------|
| Governmental | |
| General fund | |
| Title I | \$ 11,671 |
| Special education | <u>24,108</u> |
| | 35,779 |
| Capital projects | |
| Local option sales tax | <u>44,824</u> |
| | <u>\$ 80,603</u> |

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

| | Balance June 30, 2010 | Additions | Deletions | Balance June 30, 2011 |
|--|-----------------------------|----------------|------------------|-----------------------------|
| Governmental activities | | | | |
| Land | \$ 10,000 | | | \$ 10,000 |
| Capital assets being depreciated | | | | |
| Improvements | 383,003 | \$ 15,172 | | 398,175 |
| Buildings | 2,002,661 | | | 2,002,661 |
| Furniture and equipment | 1,303,273 | 223,380 | \$ (100,512) | 1,426,141 |
| Total capital assets being depreciated | 3,688,937 | 238,552 | (100,512) | 3,826,977 |
| Less accumulated depreciation for: | | | | |
| Improvements | 1,071,237 | 40,065 | | 1,111,302 |
| Buildings | 318,270 | 8,073 | | 326,343 |
| Furniture and equipment | 765,687 | 54,762 | (56,079) | 764,370 |
| Total accumulated depreciation | 2,155,194 | 102,900 | (56,079) | 2,202,015 |
| Total capital assets being depreciated, net | 1,533,743 | 135,652 | (44,433) | 1,624,962 |
| Governmental activities | | | | |
| Capital assets | \$ 1,543,743 | \$ 135,652 | \$ (44,433) | \$ 1,634,962 |
| Business-type activities | | | | |
| Furniture and equipment | \$ 97,095 | | | \$ 97,095 |
| Less accumulated depreciation | 76,598 | \$ 3,823 | \$ None | 80,421 |
| Business-type activities | | | | |
| Capital assets, net | \$ 20,497 | \$ (3,823) | \$ None | \$ 16,674 |

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

| | |
|---|-------------------|
| Governmental activities | |
| Instruction | |
| Regular | \$ 2,919 |
| Support services | |
| Student support services | 2,601 |
| Operation and maintenance | 711 |
| Transportation | 33,432 |
| | 39,663 |
| Unallocated depreciation | 63,237 |
| Total depreciation expense-governmental activities | \$ 102,900 |
| Business-type activities | |
| Food services | \$ 3,823 |

NOTES TO FINANCIAL STATEMENTS

5. **Long-term Debt Obligations**

Long-term liability activity for the year ended June 30, 2011 was as follows:

| | Balance June 30, 2010 | Additions | Reductions | Balance June 30, 2011 | Amounts Due Within One Year |
|--------------------------------|-----------------------------|-----------|------------|-----------------------------|-----------------------------------|
| Governmental activities | | | | | |
| Bonds | | | | | |
| General obligation | \$ 420,000 | | \$ 75,000 | \$ 345,000 | \$ 80,000 |
| Other liabilities | | | | | |
| Capital leases | 9,371 | \$ 33,174 | 16,567 | 25,978 | 6,097 |
| Early retirement | 160,253 | | 57,646 | 102,607 | 50,868 |
| | 169,624 | 33,174 | 74,213 | 128,585 | 56,965 |
| Governmental activities | | | | | |
| Long-term liabilities | \$ 589,624 | \$ 33,174 | \$ 149,213 | \$ 473,585 | \$ 136,965 |

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, 2011, the District has obligations to eight participants with a total liability of \$102,607. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$57,646.

b. **Bonded Indebtedness**

\$345,000 1998 General Obligation Serial Bonds, due annually in varying installments May 1, 2012 through May 1, 2015 plus interest semi-annually with interest rates of the bonds varying from 4.85% to 5.05%.

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

| Year Ending June 30, | Principal | Interest |
|-------------------------|------------|-----------|
| 2012 | \$ 80,000 | \$ 17,173 |
| 2013 | 85,000 | 13,253 |
| 2014 | 90,000 | 9,045 |
| 2015 | 90,000 | 4,545 |
| | \$ 345,000 | \$ 44,016 |

NOTES TO FINANCIAL STATEMENTS

5. Long-term Debt Obligations (Continued)

b. Bonded Indebtedness (Continued)

At June 30, 2011, the debt issued by the District did not exceed its legal debt margin compiled as follows:

| | |
|---|---------------|
| Total assessed valuation | \$ 99,497,807 |
| Debt limit – 5% of total assessed valuation | \$ 4,974,890 |
| Debt applicable to debt limit | |
| Capital leases | (25,978) |
| General obligation bonded debt outstanding | (345,000) |
| | \$ 4,603,912 |
| Legal debt margin | \$ 4,603,912 |

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, 2011.

| | Year Ending June 30, | Amount |
|---|-------------------------|-----------|
| | 2012 | \$ 7,166 |
| | 2013 | 7,166 |
| | 2014 | 7,166 |
| | 2015 | 7,166 |
| | | 28,664 |
| Minimum lease payments | | 28,664 |
| Less amount representing interest | | 2,686 |
| | | 25,978 |
| Present value of minimum lease payments | | \$ 25,978 |

6. Due to/from Other Funds

As of June 30, 2011, interfund receivables and payables that resulted from various interfund transactions were as follows:

| | Due from Other Funds | Due to Other Funds |
|-----------------------|-------------------------|-----------------------|
| General fund | | \$ 15,053 |
| School nutrition fund | \$ 15,053 | |
| | \$ 15,053 | \$ 15,053 |

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, 2011 is as follows:

| | Transfers In | Transfers Out |
|---------------------------------------|--------------|---------------|
| Capital projects fund | | |
| Statewide sales, services and use tax | | \$ 112,637 |
| General fund | | 33,886 |
| School nutrition fund | \$ 33,886 | |
| Debt service fund | 112,637 | |
| | | |
| Total | \$ 146,523 | \$ 146,523 |

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. The transfer from general fund to school nutrition fund is to help pay for salaries and benefits in the school nutrition fund.

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 2010-11A was 1.20% plus the one month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

| Series | Warrant Date | Final Warrant Maturity | Balance Beginning Year | Advances Received | Advances Repaid | Balance End of Year |
|----------|--------------|------------------------|------------------------|-------------------|-----------------|---------------------|
| 2010-11A | 6/30/10 | 6/23/11 | \$ None | \$ 260,000 | \$ 260,000 | \$ None |

During the year ended June 30, 2011, the District paid \$1,103 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 4.50%, 4.30%, and 4.10% of their annual covered salary and the District is required to contribute 6.95%, 6.65%, and 6.35% of annual covered payroll for the years ended June 30, 2011, 2010 and 2009, respectively. Contribution requirements are established by state statute.

The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$90,486, \$87,877, and \$83,711 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 28 active and 6 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 rate 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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

| | | |
|--|----|---------|
| Annual required contribution | \$ | 18,051 |
| Interest on net OPEB obligation | | 264 |
| Adjustment to annual required contribution | | (5,932) |
| | | |
| Annual OPEB cost | | 12,383 |
| Contributions made | | (7,824) |
| Increase in net OPEB obligation | | 4,559 |
| Net OPEB obligation beginning of year | | 48,709 |
| | | |
| Net OPEB obligation end of year | \$ | 53,268 |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. 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, 2011.

For the year ended June 30, 2011, the District contributed \$7,824 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, 2011 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 |
| June 30, 2011 | 18,051 | 43.34% | 53,268 |

10. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$160,770, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$160,770. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1.105 million, and the ratio of the UAAL to covered payroll was 14.6%. As of June 30, 2011, 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, 2010 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, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

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 Northeast Iowa Schools Insurance Trust (trust) maintained by Midwest Group Benefits Consultants, Inc. The trust's Board of Directors decided to terminate the self-funded health plans, effective July 1, 2009, and change to partially self-funded plans using fully insured health plans through Wellmark Blue Cross/Blue Shield. There were three new plans offered to the schools. The trust assumes liability for claims on its three plans as follows: Plan 1-between \$500 and \$5,000 for single coverage and \$1,000 and \$10,000 for family coverage, Plan 2-between \$1,000 and \$5,000 for single coverage and \$2,000 and \$10,000 for family coverage and Plan 3-between \$2,000 and \$5,000 for single coverage and \$4,000 and \$10,000 for family coverage. All plans include coinsurance and Plan 2 includes copayments. Claims in excess of the deductible are insured through the purchase of insurance. The District may be contingently liable for any claims in excess of funds available at June 30, 2011, 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, 2011 was unavailable as of October 26, 2011. The District contributions to the trust for the years ended June 30, 2011, 2010, and 2009 were \$283,634, \$221,033 and \$247,350, respectively, which equaled the required contributions each year. The employees paid \$13,328 in dental insurance for the year ended June 30, 2011.

NOTES TO FINANCIAL STATEMENTS

11. Employee Insurance Plan (Continued)

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, 2011, no liability has been recorded in the District's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance company coverage.

12. Net Assets

The government wide statement of net assets reports \$289,498 of restricted net assets, of which \$246,128 is restricted by enabling legislation. The amounts restricted at June 30, 2011 are as follows:

| | |
|---------------------------------------|------------|
| Restricted net assets | |
| Special revenue fund | |
| Student activity | \$ 8,103 |
| Management | 19,967 |
| Capital projects fund | |
| Statewide sales, services and use tax | 246,128 |
| Physical plant and equipment | 15,122 |
| Debt service fund | 178 |
| | \$ 289,498 |

The governmental fund balances as of June 30, 2011 are as follows:

| | |
|---------------------------------------|------------|
| Restricted | |
| Special revenue fund | |
| Student activity | \$ 8,103 |
| Management | 19,967 |
| Capital projects fund | |
| Statewide sales, services and use tax | 246,128 |
| Physical plant and equipment | 15,122 |
| Debt service fund | 178 |
| | \$ 289,498 |

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 \$130,898 for the year ended June 30, 2011 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, 2011 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 total outstanding construction and purchase commitments of the District at June 30, 2011 amount to \$165,320 and commitments to be reimbursed is \$None.

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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, 2011

| | Governmental Fund Types Actual | Proprietary Fund Type Actual | Total Actual |
|--|--------------------------------------|------------------------------------|-------------------|
| REVENUES | | | |
| Local sources | \$ 2,199,579 | \$ 49,124 | \$ 2,248,703 |
| State sources | 1,488,768 | 738 | 1,489,506 |
| Federal sources | 251,368 | 42,100 | 293,468 |
| Total revenues | 3,939,715 | 91,962 | 4,031,677 |
| EXPENDITURES/EXPENSES | | | |
| Instruction | 2,517,733 | | 2,517,733 |
| Support services | 1,041,112 | | 1,041,112 |
| Non-instructional | 7,291 | 108,790 | 116,081 |
| Other | 330,201 | | 330,201 |
| Total expenditures/expenses | 3,896,337 | 108,790 | 4,005,127 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES | 43,378 | (16,828) | 26,550 |
| OTHER FINANCING SOURCES, NET | (712) | 33,886 | 33,174 |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES/EXPENSES AND OTHER FINANCING USES | 42,666 | 17,058 | 59,724 |
| FUND BALANCE, beginning of year | 337,808 | 17,563 | 355,371 |
| FUND BALANCE, end of year | \$ 380,474 | \$ 34,621 | \$ 415,095 |

See Notes to Required Supplementary Information.

| Budget Amounts | | Final to Actual Variance- Positive (Negative) |
|-----------------------|------------------|--|
| Original | Final | |
| \$ 2,301,737 | \$ (53,034) | |
| 1,605,977 | (116,471) | |
| 209,000 | 84,468 | |
| <u>4,116,714</u> | <u>(85,037)</u> | |
| 2,824,760 | 307,027 | |
| 925,025 | (116,087) | |
| 105,000 | (11,081) | |
| 323,981 | (6,220) | |
| <u>4,178,766</u> | <u>173,639</u> | |
| (62,052) | 88,602 | |
| <u>6,000</u> | <u>27,174</u> | |
| (56,052) | 115,776 | |
| <u>383,014</u> | <u>(27,643)</u> | |
| <u>\$ 326,962</u> | <u>\$ 88,133</u> | |

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2011

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

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

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

During the year ended June 30, 2011, expenditures in the support services, non-instructional and other functions exceeded the amounts budgeted.

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% |
| 2011 | July 1, 2010 | - | \$ 161 | \$ 161 | 0.0% | \$ 1,105 | 14.6% |

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, 2011 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 2010, 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 2010 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 2011 has not been audited and we express no opinion on it. On page 43 the estimated enrollment for fiscal year 2012 has not been audited and we express no opinion on it.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
October 26, 2011

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2011

| | Special Revenue | Capital Projects Physical Plant and Equipment Levy | Debt Service | Total Nonmajor Funds |
|--------------------------------------|--------------------|--|-----------------|----------------------------|
| ASSETS | | | | |
| Cash and pooled investments | \$ 27,100 | \$ 14,695 | \$ 178 | \$ 41,973 |
| Receivables | | | | |
| Property tax | | | | |
| Delinquent | 970 | 427 | | 1,397 |
| Succeeding year | 97,485 | 34,316 | | 131,801 |
| Total assets | <u>\$ 125,555</u> | <u>\$ 49,438</u> | <u>\$ 178</u> | <u>\$ 175,171</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Deferred revenue | | | | |
| Succeeding year property tax | \$ 97,485 | \$ 34,316 | | \$ 131,801 |
| Total liabilities | <u>97,485</u> | <u>34,316</u> | <u>\$ -</u> | <u>131,801</u> |
| Fund balances | | | | |
| Restricted | <u>28,070</u> | <u>15,122</u> | <u>178</u> | <u>43,370</u> |
| Total liabilities and fund balances | <u>\$ 125,555</u> | <u>\$ 49,438</u> | <u>\$ 178</u> | <u>\$ 175,171</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 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2011

| | Special Revenue | Capital Projects Physical Plant and Equipment Levy | Debt Service | Total Nonmajor Funds |
|--|--------------------|--|------------------|----------------------------|
| REVENUES | | | | |
| Local sources | | | | |
| Property taxes | \$ 92,662 | \$ 33,007 | | \$ 125,669 |
| Other | 161 | 83 | | 244 |
| State sources | 41 | 18 | | 59 |
| Total revenues | 92,864 | 33,108 | \$ - | 125,972 |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | | | | |
| Regular instruction | 58,328 | 33,587 | | 91,915 |
| Other instruction | 16,583 | | | 16,583 |
| Support services | | | | |
| Operation and maintenance plant services | 40,797 | 1,257 | | 42,054 |
| Other | | | | |
| Facilities acquisition | | 1,230 | | 1,230 |
| Long-term debt | | | | |
| Principal | | | 91,566 | 91,566 |
| Interest and fiscal charges | | | 21,071 | 21,071 |
| Total expenditures | 115,708 | 36,074 | 112,637 | 264,419 |
| (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (22,844) | (2,966) | (112,637) | (138,447) |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | | | 112,637 | 112,637 |
| Total expenditures | - | - | 112,637 | 112,637 |
| (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND FINANCING USES | (22,844) | (2,966) | - | (25,810) |
| FUND BALANCE, beginning of year | 50,914 | 18,088 | 178 | 69,180 |
| FUND BALANCE, end of year | \$ 28,070 | \$ 15,122 | \$ 178 | \$ 43,370 |

See Independent Auditor's Report on the Supplementary Information.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2011

| | Management Levy | Student Activity | Total Nonmajor Special Revenue Funds |
|--------------------------------------|--------------------|---------------------|---|
| ASSETS | | | |
| Cash and pooled investments | \$ 18,997 | \$ 8,103 | \$ 27,100 |
| Receivables | | | |
| Property tax | | | |
| Delinquent | 970 | | 970 |
| Succeeding year | 97,485 | | 97,485 |
| Total assets | <u>\$ 117,452</u> | <u>\$ 8,103</u> | <u>\$ 125,555</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Deferred revenue | | | |
| Succeeding year property tax | \$ 97,485 | | \$ 97,485 |
| Total liabilities | <u>97,485</u> | <u>\$ -</u> | <u>97,485</u> |
| Fund balances | | | |
| Restricted | <u>19,967</u> | <u>8,103</u> | <u>28,070</u> |
| Total liabilities and fund balances | <u>\$ 117,452</u> | <u>\$ 8,103</u> | <u>\$ 125,555</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, 2011

| | Management Levy | Student Activity | Total Nonmajor Special Revenue Funds |
|--|--------------------|---------------------|---|
| REVENUES | | | |
| Local sources | | | |
| Local property tax | \$ 74,983 | \$ 17,679 | \$ 92,662 |
| Other | 161 | | 161 |
| State sources | 41 | | 41 |
| Total revenues | 75,185 | 17,679 | 92,864 |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | | | |
| Regular instruction | 58,328 | | 58,328 |
| Other instruction | | 16,583 | 16,583 |
| Support services | | | |
| Operation and maintenance plant services | 40,797 | | 40,797 |
| Total expenditures | 99,125 | 16,583 | 115,708 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (23,940) | 1,096 | (22,844) |
| FUND BALANCE, beginning of year | 43,907 | 7,007 | 50,914 |
| FUND BALANCE, end of year | \$ 19,967 | \$ 8,103 | \$ 28,070 |

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, 2011

| | Balance June 30, 2010 | Revenues | Expenditures | Balance June 30, 2011 |
|--------------------------------|--------------------------|------------------|------------------|--------------------------|
| Summer Recreation | \$ 5,125 | \$ 2,225 | \$ 2,580 | \$ 4,770 |
| Staff Activity | 862 | 250 | 511 | 601 |
| Athletics | (2,439) | 2,126 | 1,991 | (2,304) |
| Elementary Recreation | (403) | | | (403) |
| Yearbook | (404) | 1,605 | 1,160 | 41 |
| Elementary Student Council | 478 | 4,400 | 4,071 | 807 |
| Middle Student Council | 59 | 1,472 | | 1,531 |
| Clearing | | 1,318 | 1,318 | - |
| Miscellaneous Student Activity | 1,633 | 1,983 | 2,461 | 1,155 |
| Box tops/Milk caps | 1,598 | 792 | 620 | 1,770 |
| Fifth grade | 281 | 228 | 575 | (66) |
| Food and Fitness | 217 | 1,130 | 1,296 | 51 |
| Character counts | | 150 | | 150 |
| | <u>\$ 7,007</u> | <u>\$ 17,679</u> | <u>\$ 16,583</u> | <u>\$ 8,103</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,

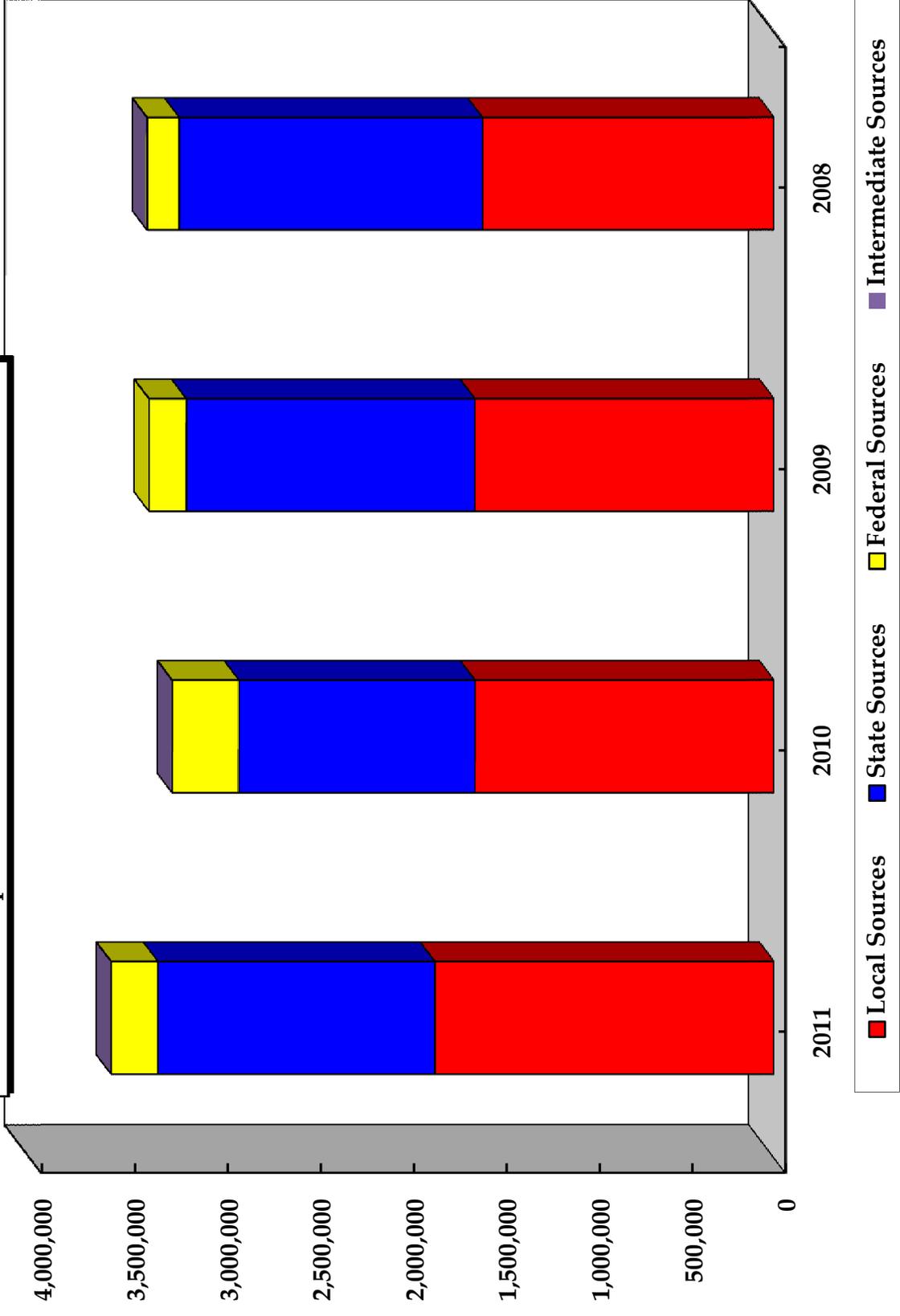
| | 2011 | 2010 | 2009 |
|--|---------------------|---------------------|---------------------|
| REVENUES | | | |
| Local sources | | | |
| Local tax | \$ 1,585,311 | \$ 1,406,581 | \$ 1,346,276 |
| Tuition | 241,025 | 245,949 | 256,721 |
| Other | 373,243 | 367,279 | 386,371 |
| Intermediate sources | | | |
| State sources | 1,488,768 | 1,269,700 | 1,551,870 |
| Federal sources | 251,368 | 358,466 | 199,856 |
| Total revenues | \$ 3,939,715 | \$ 3,647,975 | \$ 3,741,094 |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | | | |
| Regular instruction | \$ 1,688,538 | \$ 1,734,694 | \$ 1,599,614 |
| Special instruction | 507,819 | 491,741 | 620,954 |
| Other instruction | 321,376 | 325,785 | 293,878 |
| Support services | | | |
| Student services | 87,726 | 99,303 | 69,838 |
| Instructional staff services | 132,746 | 75,417 | 67,753 |
| Administration services | 300,873 | 273,572 | 298,561 |
| Operation and maintenance plant services | 325,113 | 324,585 | 261,088 |
| Transportation services | 194,654 | 203,889 | 207,208 |
| Non-instructional | 7,291 | 8,145 | 5,608 |
| Other | | | |
| Facilities acquisition | 86,666 | 69,400 | 104,688 |
| Long-term debt | | | |
| Principal | 91,566 | 83,909 | 70,400 |
| Interest and fiscal charges | 21,071 | 23,350 | 27,088 |
| AEA flowthrough | 130,898 | 128,700 | 118,943 |
| Total expenditures | \$ 3,896,337 | \$ 3,842,490 | \$ 3,745,621 |

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 6

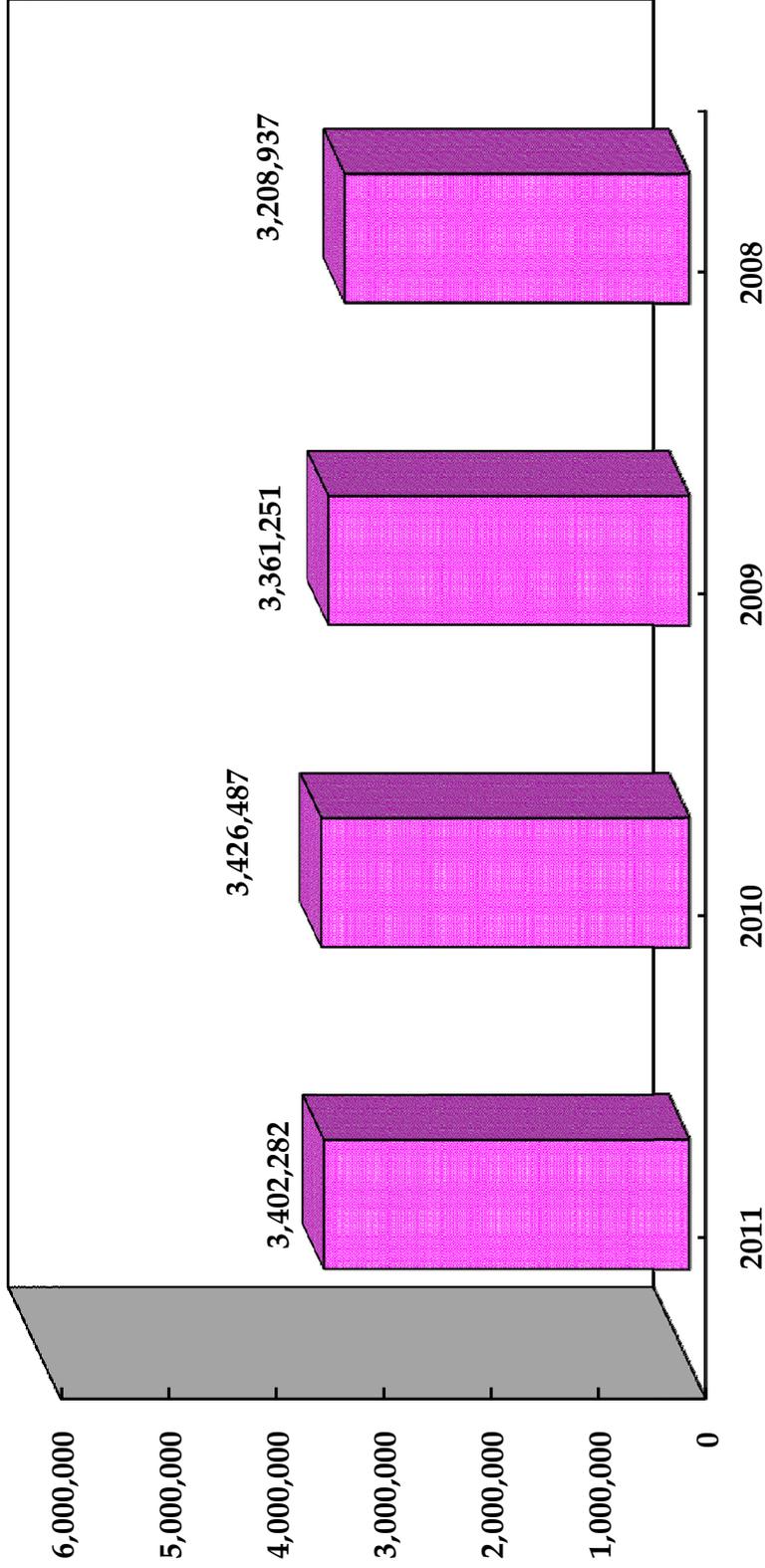
| Modified Accrual | | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| \$ 1,265,229 | \$ 1,156,908 | \$ 1,051,110 | \$ 1,073,996 | \$ 1,339,652 | \$ 1,305,657 |
| 275,148 | 302,360 | 251,262 | 217,594 | 176,324 | 175,310 |
| 369,488 | 365,150 | 411,699 | 384,591 | 105,559 | 93,069 |
| | | 593 | 719 | | |
| 1,630,503 | 1,459,772 | 1,478,799 | 1,485,245 | 1,301,288 | 1,398,967 |
| 172,083 | 179,185 | 188,080 | 123,443 | 122,077 | 130,025 |
| <u>\$ 3,712,451</u> | <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> |
| | | | | | |
| \$ 1,535,079 | \$ 1,731,983 | \$ 1,614,585 | \$ 1,671,552 | \$ 1,626,798 | \$ 1,592,302 |
| 588,889 | 536,354 | 472,837 | 456,109 | 552,080 | 534,936 |
| 201,442 | 213,416 | 232,265 | 82,900 | 68,406 | 54,219 |
| | | | | | |
| 106,128 | 116,984 | 75,622 | 47,476 | 46,381 | 39,818 |
| 40,082 | 68,502 | 60,146 | 47,342 | 33,155 | 35,829 |
| 279,909 | 237,164 | 226,694 | 217,775 | 209,259 | 200,168 |
| 233,406 | 178,646 | 146,214 | 158,425 | 128,574 | 121,611 |
| 232,682 | 227,234 | 252,560 | 216,795 | 246,843 | 173,343 |
| 5,972 | 7,443 | 8,480 | 18,804 | 6,783 | 13,503 |
| | | | | | |
| 26,780 | 223,334 | 246,909 | 142,780 | 42,583 | 21,073 |
| | | | | | |
| 93,323 | 115,242 | 83,319 | 77,747 | 93,031 | 62,904 |
| 30,678 | 34,430 | 36,923 | 39,942 | 41,518 | 47,850 |
| 117,281 | 111,326 | 110,110 | 108,509 | 108,251 | 116,759 |
| <u>\$ 3,491,651</u> | <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> |

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
Comparison of General Fund Revenues

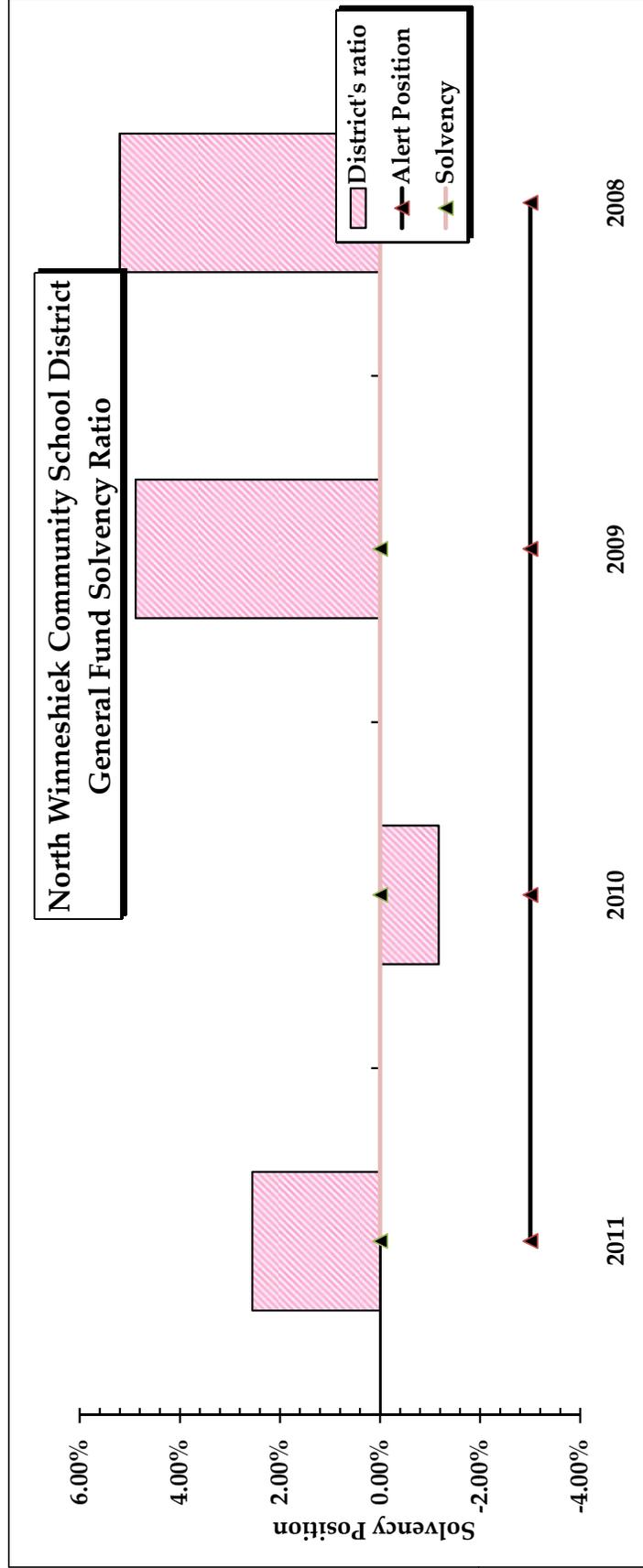


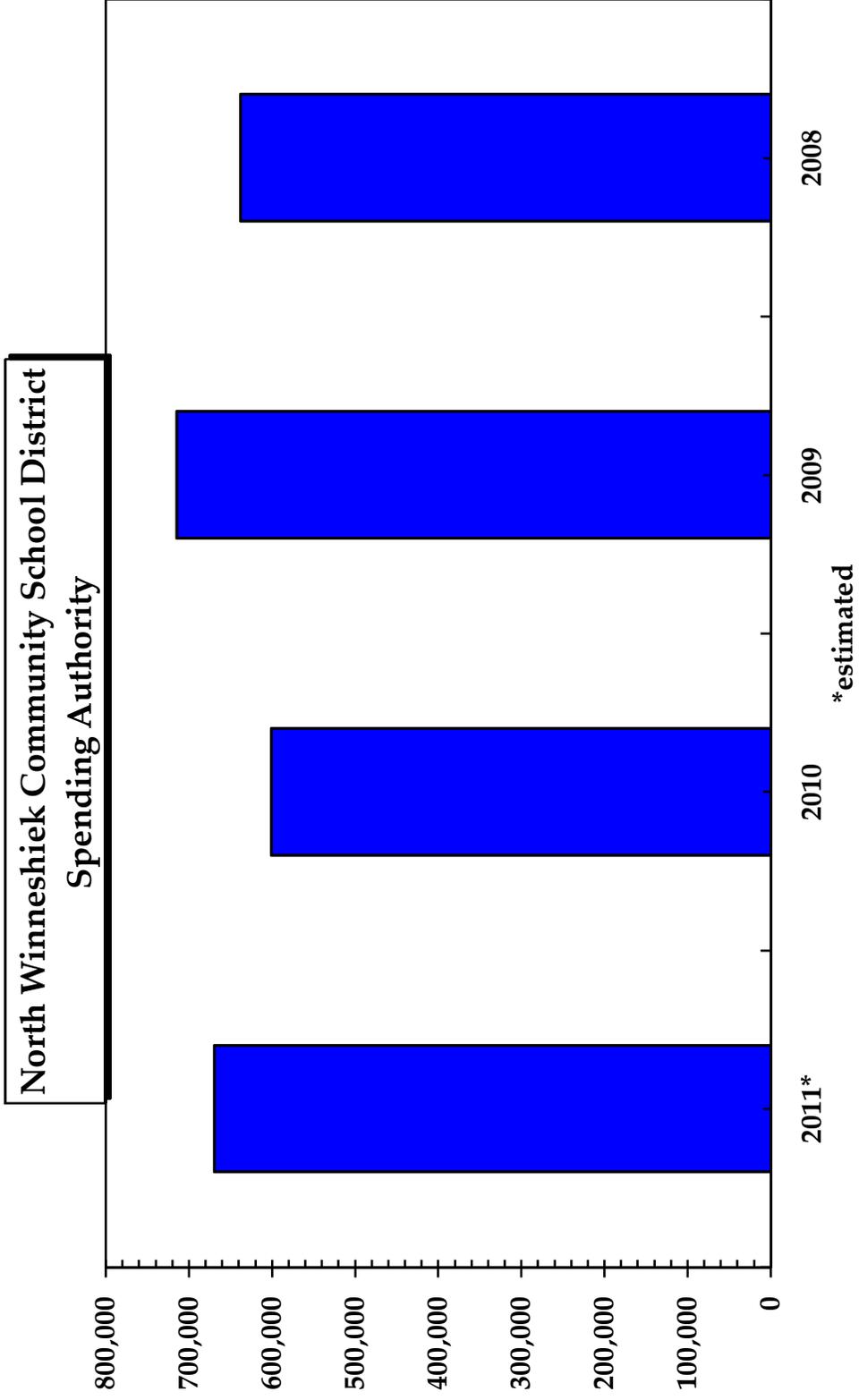
See Independent Auditor's Report on the Supplementary Information.

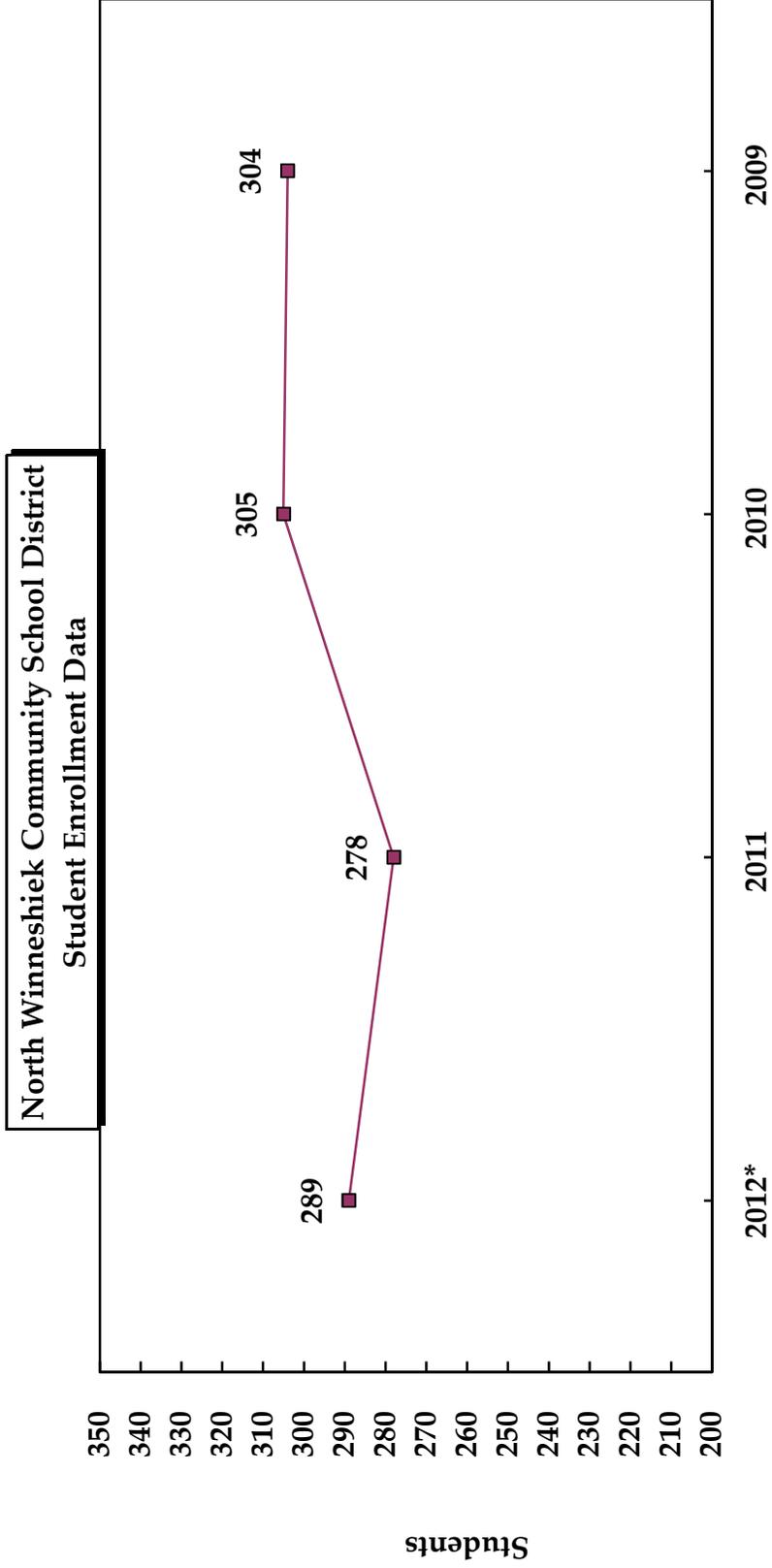
NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
Comparison of General Fund Expenditures



Totals By Year



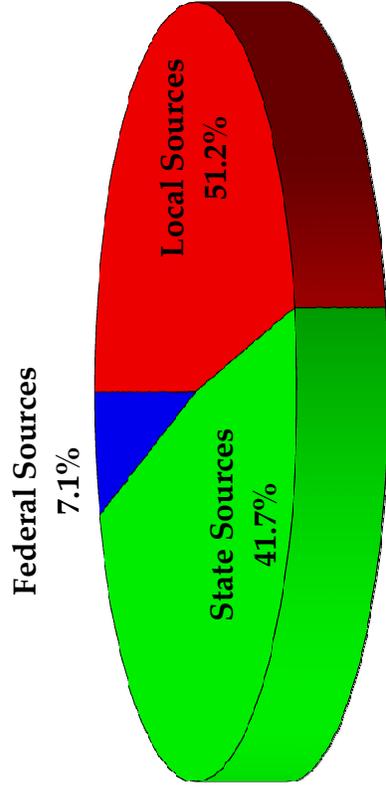




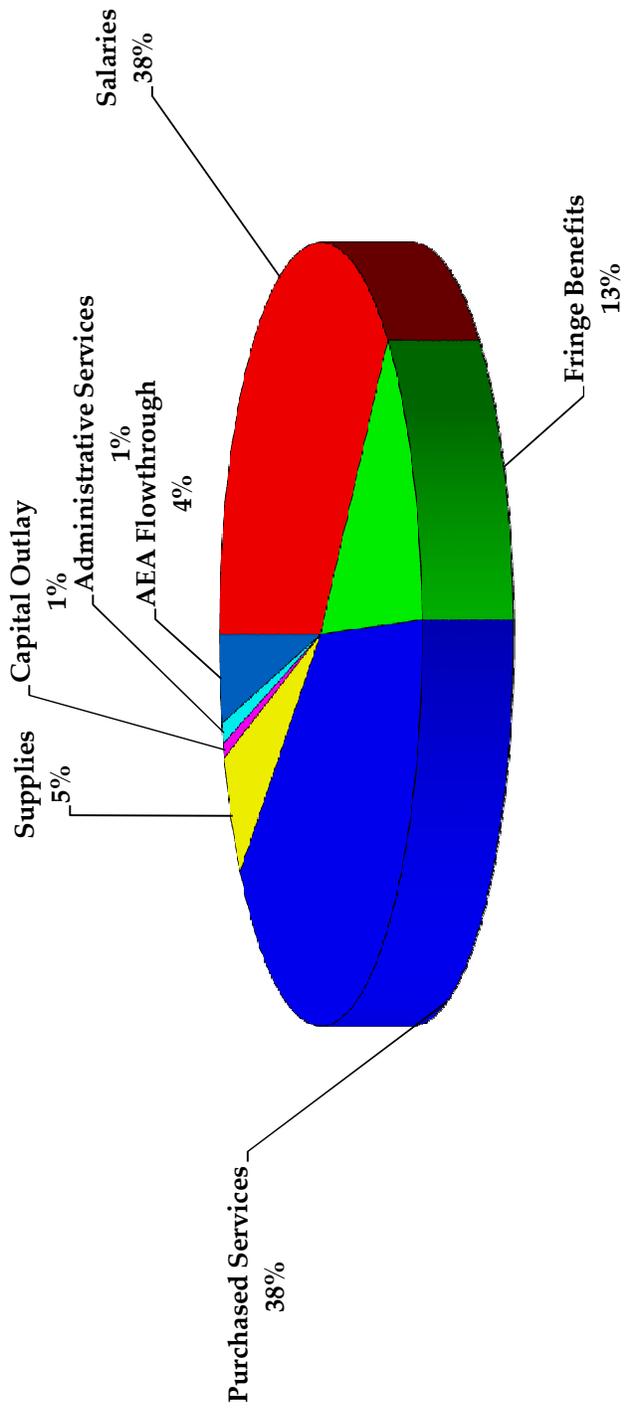
Resource: Total School Enrollment, Not Certified Enrollment, Line 11 of Certified

Enrollment Form
*estimated enrollment

**NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
General Fund Revenue Analysis Year Ended June 30, 2011**



**NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
General Fund Expenditure Analysis Year Ended June 30, 2011**



123 West Water Street
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Decorah, Iowa 52101
Telephone 563 382-3637
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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, 2011, which collectively comprise North Winneshiek Community School District's basic financial statements and have issued our report thereon dated October 26, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 October 26, 2011.

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
October 26, 2011

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, 2011, 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 October 26, 2011 contains our report on significant deficiencies in the District's internal control. This letter does not affect our report dated October 26, 2011, 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

Expenditures for the year ended, June 30, 2011 exceeded the certified budget amounts in the support services, non-instructional and other functions.

Recommendation

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

Response and Corrective Action Planned

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

Conclusion

Response accepted.

2. Questionable 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, 2011.

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, Services and Use Tax
No instances of noncompliance with the use of the statewide sales, services and use 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. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

| | | | |
|---|----|----------------|----------------|
| Beginning balance | | \$ | 306,530 |
| Statewide sales, services and use tax | \$ | 248,697 | |
| Proceeds from capital lease | | <u>33,174</u> | 281,871 |
| Expenditures/transfers out: | | | |
| School infrastructure: | | | |
| Equipment | | 229,636 | |
| Debt service for school infrastructure: | | | |
| General obligation debt | | <u>112,637</u> | <u>342,273</u> |
| Ending balance | | \$ | <u>246,128</u> |

13. Statewide Sales, Services and Use Tax (Continued)

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

| | Per \$1,000 of Taxable Valuation | Property Tax Dollars |
|-----------------------------------|--|----------------------------|
| Debt service levy | \$ 1.05 | \$ 112,637 |
| Physical plant and equipment levy | 1.73 | 136,060 |
| | | <u>\$ 248,697</u> |

14. Student Activity Funds Deficits

As of June 30, 2011, 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. Outstanding Checks

During our audit, we noted in the checkbook reconciliation included outstanding checks over two years old.

Recommendation

Checks outstanding for two or more years should be filed with the State Treasurer's office. See http://www.greatiowatreasurehunt.com/compliance_reporting/pdffiles/2007_holder_manual.pdf for instructions.

Response and Corrective Action Planned

The North Winneshiek School District will contact people who have not cashed checks and will reissue checks to them in order to clear our books.

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.

Hacher, Nelson & Co., P.C.