

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

FINANCIAL REPORT

JUNE 30, 2013

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NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION AND SCHOOL OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Address</u>	<u>Term Expires</u>
<u>Board of Education</u>			
Brenda Kreitzer	President	Decorah, Iowa	2015
Ben Lange	Vice President	Decorah, Iowa	2015
Myron Rediske	Member	Decorah, Iowa	2013
Scott Fairchild	Member	Decorah, Iowa	2013
Phil Richert	Member	Decorah, Iowa	2013

School Officials

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

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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 pages 5 through 5f and pages 30 through 32 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Winneshiek Community School District's basic financial statements. The combining and individual nonmajor fund financial statements, comparative financial information and general fund revenue and expenditure analysis for 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, comparative financial information and general fund revenue and expenditure analysis for 2013 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

We also have previously audited, in accordance with U.S. generally accepted auditing standards, the basic financial statements of North Winneshiek Community School District as of and for the years ending June 30, 2006 through 2012, none of which is presented herein, and we expressed unmodified opinions on those basic financial statements. Those audits were conducted for purposes of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The spending authority and estimated enrollment is presented for purposes of additional analysis and is not a required part of the basic financial statements. On page 42 the spending authority for fiscal year 2013 has not been audited and we express no opinion on it. On page 43 the estimated enrollment for fiscal year 2014 has not been audited and we express no opinion on it. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2006 through 2012 basic financial statements. The information has been subjected to the auditing procedures applied in the audits of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information set forth in the required supplementary information for the years ending June 30, 2006 through 2012 appearing on pages 38 through 43, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived. 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 unmodified opinions on those financial statements. Their reports on the information presented on page 38 related to the 2004 to 2005 financial statements stated that, in their opinion, such information was fairly stated in all material respects in relation to the 2004 to 2005 financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013, 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* in considering North Winneshiek Community School District's internal control over financial reporting and compliance.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
November 20, 2013

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
DECORAH, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2013

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, 2013.

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 position decreased by \$9,640. The District's revenues increased by .59%, or approximately \$23,000, with this operating grants decreased by \$21,000, tuition decreased by \$36,000, and local property taxes increased by \$129,000. District program expenses were .96% or approximately \$37,000 more in 2013 than in 2012.

General fund revenues accounted for \$3,507,867 in revenue or 90.6% of all revenues. General fund expenditures accounted for \$3,529,078 in expenditures or 91.0% 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 position 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 Position 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 position 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 position presents all of the District's assets and liabilities, with the difference between the two reported as "net position." Over time, increases or decreases in the District's net position 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 position changed during the most recent fiscal year. All changes in net position 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 position 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.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS (Continued)

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 position, a statement of revenues, expenses, and changes in net position 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 position may serve over time as a useful indicator of financial position. The following is a summary perspective of the statement of net position of the District as a whole. The North Winneshiek Community School District's net position at the end of fiscal year 2013 totaled \$1,469,080.

	Condensed Statement of Net Position (Expressed in Thousands)							
	Governmental Activities		Business-type Activities		Total		Percent Change	
	2013	2012	2013	2012	2013	2012		
Current and other assets	\$ 2,387	\$ 2,299	\$ 7	\$ 10	\$ 2,394	\$ 2,309	3.68%	
Capital assets	1,607	1,686	9	13	1,616	1,699	-4.89%	
Total assets	3,994	3,985	16	23	4,010	4,008	0.05%	
Long-term debt outstanding	236	362	-	-	236	362	-34.81%	
Other liabilities	2,278	2,133	27	6	2,305	2,139	7.76%	
Total liabilities	2,514	2,495	27	6	2,541	2,501	1.60%	
Net position								
Invested in capital position, net of related debt	1,413	1,401	9	13	1,422	1,414	0.57%	
Restricted	201	188	-	-	201	188	6.91%	
Unrestricted	(134)	(99)	(20)	4	(154)	(95)	-62.11%	
Total net position	\$ 1,480	\$ 1,490	\$ (11)	\$ 17	\$ 1,469	\$ 1,507	-2.52%	

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

The following analysis shows the change in net position for the years ending June 30, 2013 and 2012:

	Changes in Net Position of Governmental Activities (Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total		Percent Change
	2013	2012	2013	2012	2013	2012	
Revenues:							
Program revenue							
Charges for service	\$ 213	\$ 249	\$ 50	\$ 51	\$ 263	\$ 300	-12.33%
Operating grants	433	454	41	46	474	500	-5.20%
General revenue							
Property taxes	1,774	1,645	-	-	1,774	1,645	7.84%
Sales tax and surtax	251	238	-	-	251	238	5.46%
Unrestricted state grants	1,135	1,141	-	-	1,135	1,141	-0.53%
Other revenue	64	120	-	-	64	120	-46.67%
Total revenues	<u>3,870</u>	<u>3,847</u>	<u>91</u>	<u>97</u>	<u>3,961</u>	<u>3,944</u>	<u>0.43%</u>
Program expenses:							
Instruction	2,741	2,612	-	-	2,741	2,612	4.94%
Student support	916	1,000	-	-	916	1,000	-8.40%
Non-instructional programs	6	6	119	115	125	121	3.31%
Other expenses	217	225	-	-	217	225	-3.56%
Total expenses	<u>3,880</u>	<u>3,843</u>	<u>119</u>	<u>115</u>	<u>3,999</u>	<u>3,958</u>	<u>1.04%</u>
(Decrease) increase in net position	(10)	4	(28)	(18)	(38)	(14)	171.43%
Net position Beginning of Year	<u>1,490</u>	<u>1,486</u>	<u>17</u>	<u>35</u>	<u>1,507</u>	<u>1,521</u>	<u>-0.92%</u>
Net position End of Year	<u>\$ 1,480</u>	<u>\$ 1,490</u>	<u>\$ (11)</u>	<u>\$ 17</u>	<u>\$ 1,469</u>	<u>\$ 1,507</u>	<u>-2.52%</u>

INDIVIDUAL FUND ANALYSIS

As the District completed the year, its governmental funds reported a combined fund balance of \$220,619, an \$8,117 decrease of the 2012 fiscal year end balance of \$228,736.

- The general fund received less revenue during fiscal year 2013 through state aid and federal sources. The general fund expenditures decreased in the non-instructional and support services function while increasing in instruction. In total general fund expenditures increased by \$27,332. The ending fund balance showed a decrease of \$21,211 to \$19,365.
- The capital projects fund balance increased due to the increase in other local revenue and decrease in expenditures in the operation and maintenance plant service function.

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 2013 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	\$	2,351	\$ 2,374	\$ (23)
State sources		1,439	1,507	(68)
Federal sources		171	198	(27)
<hr/>				
Total revenues	\$	3,961	\$ 4,079	\$ (118)
<hr/>				
Expenditures				
Instruction	\$	2,662	\$ 2,759	\$ 97
Student support		922	1,136	214
Non-instructional programs		124	135	11
Other expenses		289	353	64
<hr/>				
Total expenditures	\$	3,997	\$ 4,383	\$ 386
<hr/>				

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2013, North Winneshiek Community School District had \$1,606,500 invested in a broad range of capital assets, including buildings, land and equipment for the governmental activities. For the enterprise funds, the District had \$9,028 invested in equipment in the school nutrition fund.

The District's governmental activities had depreciation expense of \$116,353 for fiscal 2013 and total accumulated depreciation of \$2,432,253 as of June 30, 2013. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Debt

At year-end, the District had \$236,479 in bonds and other debt compared to \$361,548 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 \$5,627,142 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 BUDGET AMOUNTS

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 increased from FY13 289 to FY14 293.3 which is a net gain of 4.3 students.

The FY14 regular program District cost is \$1,826,672. The FY13 regular program District cost was \$1,765,212. The District saw a \$61,460 increase in regular program funding for the FY14 school year.

2. Supplemental Weighting

North Winneshiek Community School District will receive supplemental weighting in the amount of 3.138 students for FY14. The supplemental weighting provides additional general fund revenue for the District.

3. General Fund Balance

The FY12 general fund balance was \$40,576. The FY13 general fund balance was \$19,364. The balance decreased by \$21,212. The District continues to impose a cash reserve levy of \$599,382.

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 FY13, the District had a 1.0% solvency ratio. - 3% and lower Concern, -2.99-0% Alert, 0-4.99% Acceptable, 5-10% Good

5. Spending Authority/Unspent Balance Ratio

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

The District's spending authority decreased from FY12 \$623,310 to FY13 \$431,829 which is a \$191,481 decrease.

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 FY13, the District's unspent balance ratio was 12.0%. 0-10.9% Acceptable, 11-20% Good, <20% Excellent

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AMOUNTS (Continued)

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 POSITION
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 446,362	\$ 657	\$ 447,019
Receivables			
Property tax			
Delinquent	19,416		19,416
Succeeding year	1,855,829		1,855,829
Accounts	33		33
Due from other governments	65,535		65,535
Inventories		5,899	5,899
Capital assets, non-depreciable	10,000		10,000
Capital assets, net of accumulated depreciation	1,596,500	9,028	1,605,528
	<u>\$ 3,993,675</u>	<u>\$ 15,584</u>	<u>\$ 4,009,259</u>
Total assets			
LIABILITIES			
Accounts payable	\$ 126,409		\$ 126,409
Salaries and benefits payable	204,075	\$ 5,703	209,778
Interfund payable (receivable)	(19,757)	19,757	-
Accrued interest payable	1,278		1,278
Deferred revenue			
Succeeding year property tax	1,855,829		1,855,829
Other		1,168	1,168
Long-term liabilities			
Portion due within one year			
Bonds payable	90,000		90,000
Capital leases	6,623		6,623
Early retirement	28,606		28,606
Portion due after one year			
Bonds payable	90,000		90,000
Capital leases	6,903		6,903
Early retirement	14,347		14,347
Net OPEB liability	109,238		109,238
	<u>2,513,551</u>	<u>26,628</u>	<u>2,540,179</u>
Total liabilities			
NET POSITION			
Invested in capital assets, net of related debt	1,412,974	9,028	1,422,002
Restricted for			
Capital projects	154,431		154,431
Other purposes	46,823		46,823
Unrestricted (deficit)	(134,104)	(20,072)	(154,176)
	<u>1,480,124</u>	<u>(11,044)</u>	<u>1,469,080</u>
Total net position			
Total liabilities and net position	<u>\$ 3,993,675</u>	<u>\$ 15,584</u>	<u>\$ 4,009,259</u>

See Notes to Financial Statements.

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NORTH WINNESHEIK COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Functions and Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants
Governmental activities			
Instruction			
Regular instruction	\$ 1,876,116	\$ 191,072	\$ 420,513
Special instruction	615,034		11,963
Other instruction	249,355	932	
	<u>2,740,505</u>	<u>192,004</u>	<u>432,476</u>
Support services			
Student services	64,557	14,335	
Instructional staff services	76,919		
Administration services	258,944		
Operation and maintenance plant services	235,928		
Transportation services	279,766	7,060	
	<u>916,114</u>	<u>21,395</u>	<u>-</u>
Non-instructional	<u>5,502</u>		
Other			
Long-term debt interest	13,576		
Facilities acquisition	18,435		
AEA flowthrough	115,390		
Depreciation (unallocated)	70,062		
	<u>217,463</u>	<u>-</u>	<u>-</u>
Total governmental activities	3,879,584	213,399	432,476
Business-type activities			
Non-instructional programs			
Nutrition services	118,913	49,854	41,534
Total	\$ 3,998,497	\$ 263,253	\$ 474,010
General revenues			
Property taxes levied for			
General purposes			
Management			
PPEL			
Local option sales tax and surtax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net position			
Net position, beginning of year			
Net position, end of year			

See Notes to Financial Statements.

EXHIBIT B

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (1,264,531)		\$ (1,264,531)
(603,071)		(603,071)
(248,423)		(248,423)
<u>(2,116,025)</u>		<u>(2,116,025)</u>
(50,222)		(50,222)
(76,919)		(76,919)
(258,944)		(258,944)
(235,928)		(235,928)
(272,706)		(272,706)
<u>(894,719)</u>		<u>(894,719)</u>
(5,502)		(5,502)
(13,576)		(13,576)
(18,435)		(18,435)
(115,390)		(115,390)
(70,062)		(70,062)
<u>(217,463)</u>	\$ -	<u>(217,463)</u>
(3,233,709)		(3,233,709)
	<u>(27,525)</u>	<u>(27,525)</u>
<u>(3,233,709)</u>	<u>(27,525)</u>	<u>(3,261,234)</u>
1,677,264		1,677,264
60,008		60,008
37,145		37,145
250,502		250,502
1,134,880		1,134,880
231		231
64,039		64,039
<u>3,224,069</u>	-	<u>3,224,069</u>
(9,640)	(27,525)	(37,165)
<u>1,489,764</u>	<u>16,481</u>	<u>1,506,245</u>
<u>\$ 1,480,124</u>	<u>\$ (11,044)</u>	<u>\$ 1,469,080</u>

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General	Capital Projects Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and pooled investments				
Other	\$ 285,976	\$ 114,697	\$ 45,689	\$ 446,362
Receivables				
Property tax				
Delinquent	18,282		1,134	19,416
Succeeding year	1,741,717		114,112	1,855,829
Accounts	33			33
Due from other funds	19,757			19,757
Due from other governments	25,801	39,734		65,535
Total assets	\$ 2,091,566	\$ 154,431	\$ 160,935	\$ 2,406,932
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 126,409			\$ 126,409
Salaries and benefits payable	204,075			204,075
Deferred revenue				
Succeeding year property tax	1,741,717		\$ 114,112	1,855,829
Total liabilities	2,072,201	\$ -	114,112	2,186,313
Fund balances				
Restricted		154,431	46,823	201,254
Unassigned	19,365			19,365
Total fund balances	19,365	154,431	46,823	220,619
Total liabilities and fund balances	\$ 2,091,566	\$ 154,431	\$ 160,935	\$ 2,406,932

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET POSITION

Total governmental fund balances	\$ 220,619
Amounts reported for governmental activities in the statement of net position 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 \$ 2,432,253	1,606,500
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	(180,000)
Capital leases	(13,526)
Accrued interest	(1,278)
Early retirement	(42,953)
Net OPEB obligation	(109,238)
Net position of governmental activities per Exhibit A	<u>\$ 1,480,124</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, 2013

	General	Capital Projects Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total
REVENUES				
Local sources				
Local property tax	\$ 1,677,264		\$ 111,488	\$ 1,788,752
Tuition	187,056			187,056
Other	75,374	\$ 250,509	30	325,913
State sources	1,438,152		50	1,438,202
Federal sources	130,021			130,021
Total revenues	<u>3,507,867</u>	<u>250,509</u>	<u>111,568</u>	<u>3,869,944</u>
EXPENDITURES				
Current				
Instruction				
Regular instruction	1,710,920	51,630	35,352	1,797,902
Special instruction	615,034			615,034
Other instruction	235,888		13,467	249,355
	<u>2,561,842</u>	<u>51,630</u>	<u>48,819</u>	<u>2,662,291</u>
Support services				
Student services	75,737			75,737
Instructional staff services	50,445	26,474		76,919
Administration services	292,658			292,658
Operation and maintenance plant services	186,425	2,403	46,389	235,217
Transportation services	241,079			241,079
	<u>846,344</u>	<u>28,877</u>	<u>46,389</u>	<u>921,610</u>
Non-instructional	<u>5,502</u>			<u>5,502</u>
Other				
Long-term debt				
Principal			91,355	91,355
Interest and fiscal charges			14,173	14,173
Facilities acquisition		35,949	31,791	67,740
AEA flowthrough	115,390			115,390
	<u>115,390</u>	<u>35,949</u>	<u>137,319</u>	<u>288,658</u>
Total expenditures	<u>3,529,078</u>	<u>116,456</u>	<u>232,527</u>	<u>3,878,061</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(21,211)</u>	<u>134,053</u>	<u>(120,959)</u>	<u>(8,117)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in			105,528	105,528
Operating transfers (out)		(105,528)		(105,528)
	<u>-</u>	<u>(105,528)</u>	<u>105,528</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES	<u>(21,211)</u>	<u>28,525</u>	<u>(15,431)</u>	<u>(8,117)</u>
FUND BALANCE, beginning of year	<u>40,576</u>	<u>125,906</u>	<u>62,254</u>	<u>228,736</u>
FUND BALANCE, end of year	<u>\$ 19,365</u>	<u>\$ 154,431</u>	<u>\$ 46,823</u>	<u>\$ 220,619</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, 2013

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	\$	(8,117)
<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 position 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	\$ (116,353)	
Capital outlays	<u>37,000</u>	(79,353)
<p>Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.</p>		
		91,355
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
		597
<p>Early retirement payments and OPEB are expenditures in governmental funds when paid, but reduce long-term liabilities in the statement of net position and affect the statement of activities as accrued.</p>		
Early retirement	33,714	
Other postemployment benefits	<u>(47,836)</u>	<u>(14,122)</u>
Change in net position of governmental activities per Exhibit B	\$	<u>(9,640)</u>

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2013

	School Nutrition Fund
ASSETS	
CURRENT ASSETS	
Cash	\$ 657
Inventories	5,899
Total current assets	6,556
NONCURRENT ASSETS	
Furniture and equipment	97,095
Less accumulated depreciation	(88,067)
Total noncurrent assets	9,028
Total assets	\$ 15,584
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Salaries and benefits payable	\$ 5,703
Due to other funds	19,757
Deferred revenue	1,168
Total liabilities	26,628
NET POSITION	
Invested in capital assets, net of related debt	9,028
Unrestricted deficit	(20,072)
Total net position	(11,044)
Total liabilities and net position	\$ 15,584

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2013

	School Nutrition Fund
OPERATING REVENUES	
Local sources	
Charges for services	\$ 49,854
OPERATING EXPENSES	
Non-instructional programs	
Food service operations	
Salaries	67,340
Supplies	47,750
Depreciation	3,823
Total operating expenses	118,913
Operating loss	(69,059)
NONOPERATING REVENUES	
State sources	757
Federal sources	40,777
Total nonoperating revenues	41,534
Change in net position	(27,525)
Net position, beginning of year	16,481
Net position, end of year	\$ (11,044)

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2013

	School Nutrition Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from sale of lunches and breakfasts	\$ 48,470
Cash received from miscellaneous operating activities	1,444
Cash payments paid on behalf of employees	(15,064)
Cash payments to employees for services	(51,993)
Cash payments to suppliers for goods and services	(39,732)
	(56,875)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from other funds	19,757
State grants and federal grants received	35,331
	55,088
Net decrease in cash equivalents	(1,787)
CASH, beginning of year	2,444
CASH, end of year	\$ 657
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (69,059)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	3,823
Commodities used	6,203
Decrease in inventories	1,815
Increase in salaries payable	128
Increase in benefits payable	155
Increase in deferred revenue	60
	(56,875)
Net cash used in operating activities	\$ (56,875)
Non-cash, noncapital financing activities:	
During the year ended June 30, 2013, 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 position (previously referred to as 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 major 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

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

On the District-wide statement of net position 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. All governmental fund financial statements are accounted for on current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources." Governmental fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in fund balances. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

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

b. Significant Accounting Policies (Continued)

Measurement Focus (Continued)

- b. The District-wide statements and proprietary fund financial statements are accounted for on economic resources measurement focus. This means that all assets and liabilities, whether current or noncurrent, associated with its activity are included on the statement of net position. In reporting the financial activity on the proprietary fund statements, the District applies all applicable GASB pronouncements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District-wide and proprietary fund financial statements are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned and the expenses are recognized when they are incurred. Property tax is recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the District-wide statements and the statements for governmental funds.

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.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Revenues susceptible to accrual under the modified accrual basis of accounting are property tax, intergovernmental revenue (shared revenues, grants, and reimbursements from other governments) and interest revenue. Revenues from miscellaneous sources are generally recognized when they are received in cash, as they are generally not measurable until actually received (tuition, fees and sale of services).

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 District maintains its financial records on the modified cash basis (also referred to as cash basis or cash transactions). The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Equity

The following accounting policies are followed in preparing the 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

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, 2013, 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 position. 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, 2013 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 position 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 position. 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 restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

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

Net Position

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 positions consists of net positions 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 positions are used first when an expense is incurred for purposes for both restricted and unrestricted net positions.

Unrestricted net positions 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, 2013 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified portfolio	\$ 115,208

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 AAAM by Standard & Poor's Financial Services.

3. **Due from Other Governments**

Due from other governments consist of the following at June 30, 2013:

Governmental	
General fund	
Title I	\$ 10,533
Title VI	197
Special education	<u>15,071</u>
	25,801
Capital projects	
Local option sales tax	<u>39,734</u>
	<u>\$ 65,535</u>

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NOTES TO FINANCIAL STATEMENTS

4. Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Governmental activities				
Land	\$ 10,000			\$ 10,000
Capital assets being depreciated				
Improvements	442,659	\$ 3,950		446,609
Buildings	2,002,661			2,002,661
Furniture and equipment	1,546,433	33,050		1,579,483
Total capital assets being depreciated	<u>3,991,753</u>	<u>37,000</u>		<u>4,028,753</u>
Less accumulated depreciation for:				
Improvements	337,381	11,303		348,684
Buildings	1,151,367	40,065		1,191,432
Furniture and equipment	827,152	64,985		892,137
Total accumulated depreciation	<u>2,315,900</u>	<u>116,353</u>		<u>2,432,253</u>
Total capital assets being depreciated, net	<u>1,675,853</u>	<u>(79,353)</u>		<u>1,596,500</u>
Governmental activities				
Capital assets	\$ 1,685,853	\$ (79,353)	\$ None	\$ 1,606,500
Business-type activities				
Furniture and equipment	\$ 97,095			\$ 97,095
Less accumulated depreciation	84,244	\$ 3,823	\$ None	88,067
Business-type activities				
Capital assets, net	<u>\$ 12,851</u>	<u>\$ (3,823)</u>	<u>\$ None</u>	<u>\$ 9,028</u>

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

Governmental activities	
Instruction	
Regular	\$ 3,866
Support services	
Student support services	3,027
Operation and maintenance	711
Transportation	<u>38,687</u>
	46,291
Unallocated depreciation	<u>70,062</u>
Total depreciation expense-governmental activities	<u>\$ 116,353</u>
Business-type activities	
Food services	<u>\$ 3,823</u>

NOTES TO FINANCIAL STATEMENTS

5. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Governmental activities					
Bonds					
General obligation	\$ 265,000		\$ 85,000	\$ 180,000	\$ 90,000
Other liabilities					
Capital leases	19,881		6,355	13,526	6,623
Early retirement	76,667		33,714	42,953	28,606
	96,548		40,069	56,479	35,229
Governmental activities					
Long-term liabilities	\$ 361,548	\$ None	\$ 125,069	\$ 236,479	\$ 125,229

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.

No new early retirement benefits were offered as of June 30, 2013.

At June 30, 2013, the District has obligations to eight participants with a total liability of \$42,953. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$33,714.

b. Bonded Indebtedness

\$180,000 1998 General Obligation Serial Bonds, due annually in varying installments May 1, 2014 through May 1, 2015 plus interest semi-annually with interest rates of the bonds varying from 5.00% to 5.05%.

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

Year Ending June 30,	Principal	Interest
2014	\$ 90,000	\$ 9,045
2015	90,000	4,545
	\$ 180,000	\$ 13,590

NOTES TO FINANCIAL STATEMENTS

5. Long-term Debt Obligations (Continued)

b. Bonded Indebtedness (Continued)

At June 30, 2013, the debt issued by the District did not exceed its legal debt margin compiled as follows:

Total assessed valuation	\$ 112,542,843
Debt limit – 5% of total assessed valuation	\$ 5,627,142
Debt applicable to debt limit	
Capital leases	(13,526)
General obligation bonded debt outstanding	(180,000)
Legal debt margin	\$ 5,433,616

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, 2013.

	Year Ending June 30,	Amount
	2014	\$ 7,166
	2015	7,166
Minimum lease payments		14,332
Less amount representing interest		806
Present value of minimum lease payments		\$ 13,526

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NOTES TO FINANCIAL STATEMENTS

6. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

	Transfers In	Transfers Out
Capital projects fund		
Statewide sales, services and use tax		\$ 105,528
Debt service fund	\$ 105,528	
Total	\$ 105,528	\$ 105,528

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.

7. 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 Series 2012-2013 ONE included taxable warrants only. The District participated in the issuance of the taxable warrants. The interest rates on the taxable Series 2012-2013 ONE are variable rates, calculated daily, based on the one-month LIBOR rate plus 100 basis points. The LIBOR rate at June 30, 2013 was .20%. A summary of the District's ISCAP activity for the year ended June 30, 2013 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning Year	Advances Received	Advances Repaid	Balance End of Year
2012-13 ONE	06/27/12	12/1/13	\$ None	\$ 200,000	\$ 200,000	\$ None

During the year ended June 30, 2013, the District paid \$678 of interest on the ISCAP warrants.

8. 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 5.78%, 5.38%, and 4.50% of their annual covered salary and the District is required to contribute 8.67%, 8.07%, and 6.95% of annual covered salary for the years ended June 30, 2013, 2012, and 2011, respectively. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$108,351, \$106,792, and \$90,846, respectively, equal to the required contributions for each year.

9. Other Postemployment Benefits (OPEB)

Plan Description

As explained in Note 10, 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 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through the trust. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	27,619
Interest on net OPEB obligation		2,466
Adjustment to annual required contribution		26,803
Annual OPEB cost		56,888
Contributions made		(9,052)
Increase in net OPEB obligation		47,836
Net OPEB obligation beginning of year		61,402
Net OPEB obligation end of year	\$	109,238

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, 2013.

For the year ended June 30, 2013, the District contributed \$9,052 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, 2013 are summarized below as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 18,051	43.34%	\$ 53,268
June 30, 2012	19,221	52.20%	61,402
June 30, 2013	27,619	32.77%	109,238

9. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$164,896, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$164,896. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1.055 million, and the ratio of the UAAL to covered payroll was 15.6%. As of June 30, 2013, 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, presents 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, 2012 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, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$543 to \$747, depending on the type of coverage, per month for retirees less than age 65 and the plan coverage terminates upon reaching Medicare eligibility (age 65). The salary increase rate was assumed to be 0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

10. 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, 2013, 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, 2013 was unavailable as of November 20, 2013. The District contributions to the trust for the years ended June 30, 2013, 2012, and 2011 were \$262,597, \$272,833 and \$283,634, respectively, which equaled the required contributions each year. The employees paid \$5,350 in dental insurance for the year ended June 30, 2013.

NOTES TO FINANCIAL STATEMENTS

10. 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, 2013, no liability has been recorded in the District's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance company coverage.

11. Risk Management

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

12. 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 \$115,390 for the year ended June 30, 2013 and is recorded in the general fund by making a memorandum adjusting entry to the cash basis financial statements.

13. 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, 2013 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 10, the District is contingently liable for any unreported claim or assessment in excess of their balance in the insurance pool.

14. Commitments

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% of the District's regular program cost per pupil. If the billed amount for 9-12 students who attend the regular education alternative high school exceeds 82%, then Decorah Community School District will bill the District the extra costs over the said 82% per pupil. The agreement expires June 30, 2017. 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, 2013 amount to \$109,668 and commitments to be reimbursed is \$None.

15. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued three statements not yet implemented by the District. The statements which might impact the District are as follows:

GASB Statement 65, *Items Previously Classified as Assets and Liabilities*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. This statement reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflow of resources, and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement 66, *Technical Corrections – 2012*, an amendment of GASB Statements 10 and 62, issued March 2012, effective for the fiscal year ending June 30, 2014. The objective of this statement is to improve accounting and financial reporting for governmental entities by resolving conflicting guidance in GASB Statements 54 and 62, on risk financing activities and operating leases.

GASB Statement 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, issued June 2012, will be effective for the fiscal year ended June 30, 2015. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions which are provided by other entities.

The District's management has not yet determined the effect these statements will have on the District's financial statements.

16. Accounting Change

Governmental Accounting Standards Board Statements No. 61 *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 3*; No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* were implemented during fiscal year 2013.

17. Subsequent Events

Management has evaluated subsequent events through November 20, 2013, the date on which the financial statements were available to be issued.

Required Supplementary Information

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, 2013

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual
REVENUES			
Local sources	\$ 2,301,721	\$ 49,854	\$ 2,351,575
State sources	1,438,202	757	1,438,959
Federal sources	130,021	40,777	170,798
Total revenues	3,869,944	91,388	3,961,332
EXPENDITURES/EXPENSES			
Instruction	2,662,291		2,662,291
Support services	921,610		921,610
Non-instructional	5,502	118,913	124,415
Other	288,658		288,658
Total expenditures/expenses	3,878,061	118,913	3,996,974
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	(8,117)	(27,525)	(35,642)
OTHER FINANCING SOURCES, NET	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES/EXPENSES AND OTHER FINANCING USES	(8,117)	(27,525)	(35,642)
FUND BALANCE, beginning of year	228,736	16,481	245,217
FUND BALANCE, end of year	\$ 220,619	\$ (11,044)	\$ 209,575

See Notes to Required Supplementary Information.

<u>Budget Amounts</u>		<u>Final to Actual Variance- Positive (Negative)</u>
<u>Original</u>	<u>Final</u>	
\$ 2,373,492	\$ (21,917)	
1,507,388	(68,429)	
198,000	(27,202)	
<u>4,078,880</u>	<u>(117,548)</u>	
2,759,314	97,023	
1,135,500	213,890	
135,000	10,585	
353,280	64,622	
<u>4,383,094</u>	<u>386,120</u>	
(304,214)	268,572	
<u>100,000</u>	<u>(100,000)</u>	
(204,214)	168,572	
<u>364,495</u>	<u>(119,278)</u>	
<u>\$ 160,281</u>	<u>\$ 49,294</u>	

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2013

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. 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.

See Independent Auditor's Report.

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%
2012	July 1, 2010	-	\$ 152	\$ 152	0.0%	\$ 1,119	13.6%
2013	July 1, 2012	-	\$ 165	\$ 165	0.0%	\$ 1,055	15.6%

See Note 9 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2013

	Special Revenue	Capital Projects Physical Plant and Equipment Levy	Debt Service	Total Nonmajor Funds
ASSETS				
Cash and pooled investments	\$ 14,930	\$ 30,581	\$ 178	\$ 45,689
Receivables				
Property tax				
Delinquent	701	433		1,134
Succeeding year	75,000	39,112		114,112
Total assets	<u>\$ 90,631</u>	<u>\$ 70,126</u>	<u>\$ 178</u>	<u>\$ 160,935</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Deferred revenue				
Succeeding year property tax	\$ 75,000	\$ 39,112		\$ 114,112
Total liabilities	<u>75,000</u>	<u>39,112</u>	<u>\$ -</u>	<u>114,112</u>
Fund balances				
Restricted	<u>15,631</u>	<u>31,014</u>	<u>178</u>	<u>46,823</u>
Total liabilities and fund balances	<u>\$ 90,631</u>	<u>\$ 70,126</u>	<u>\$ 178</u>	<u>\$ 160,935</u>

See Independent Auditor's Report.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2013

	Special Revenue	Capital Projects Physical Plant and Equipment Levy	Debt Service	Total Nonmajor Funds
REVENUES				
Local sources				
Property taxes	\$ 74,343	\$ 37,145		\$ 111,488
Other	12	18		30
State sources	31	19		50
Total revenues	74,386	37,182	\$ -	111,568
EXPENDITURES				
Current				
Instruction				
Regular instruction	35,352			35,352
Other instruction	13,467			13,467
Support services				
Operation and maintenance plant services	46,060	329		46,389
Other				
Facilities acquisition		31,791		31,791
Long-term debt				
Principal			91,355	91,355
Interest and fiscal charges			14,173	14,173
Total expenditures	94,879	32,120	105,528	232,527
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(20,493)	5,062	(105,528)	(120,959)
OTHER FINANCING SOURCES				
Transfers in			105,528	105,528
Total expenditures	-	-	105,528	105,528
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES	(20,493)	5,062	-	(15,431)
FUND BALANCE, beginning of year	36,124	25,952	178	62,254
FUND BALANCE, end of year	\$ 15,631	\$ 31,014	\$ 178	\$ 46,823

See Independent Auditor's Report.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2013

	<u>Management Levy</u>	<u>Student Activity</u>	<u>Total Nonmajor Special Revenue Funds</u>
ASSETS			
Cash and pooled investments	\$ 5,728	\$ 9,202	\$ 14,930
Receivables			
Property tax			
Delinquent	701		701
Succeeding year	75,000		75,000
	<u>75,000</u>		<u>75,000</u>
Total assets	<u>\$ 81,429</u>	<u>\$ 9,202</u>	<u>\$ 90,631</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Deferred revenue			
Succeeding year property tax	\$ 75,000		\$ 75,000
	<u>75,000</u>		<u>75,000</u>
Total liabilities	<u>75,000</u>	<u>\$ -</u>	<u>75,000</u>
Fund balances			
Restricted	<u>6,429</u>	<u>9,202</u>	<u>15,631</u>
Total liabilities and fund balances	<u>\$ 81,429</u>	<u>\$ 9,202</u>	<u>\$ 90,631</u>

See Independent Auditor's Report.

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, 2013

	Management Levy	Student Activity	Total Nonmajor Special Revenue Funds
REVENUES			
Local sources			
Local property tax	\$ 60,008	\$ 14,335	\$ 74,343
Other	12		12
State sources	31		31
Total revenues	60,051	14,335	74,386
EXPENDITURES			
Current			
Instruction			
Regular instruction	35,352		35,352
Other instruction		13,467	13,467
Support services			
Operation and maintenance plant services	46,060		46,060
Total expenditures	81,412	13,467	94,879
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(21,361)	868	(20,493)
FUND BALANCE, beginning of year	27,790	8,334	36,124
FUND BALANCE, end of year	\$ 6,429	\$ 9,202	\$ 15,631

See Independent Auditor's Report.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 For the Year Ended June 30, 2013

	Balance June 30, 2012	Revenues	Expenditures	Balance June 30, 2013
Summer Recreation	\$ 1,110	\$ 2,873	\$ 2,236	\$ 1,747
Staff Activity	32	415	394	53
Athletics	(354)	4,231	3,376	501
Yearbook	780	1,455		2,235
Elementary Student Council	1,042	20	476	586
Middle Student Council	147	619	672	94
Clearing		1,477	1,477	-
Miscellaneous Student Activity	1,344	1,121	942	1,523
Box tops/Milk caps	1,499	1,345	1,498	1,346
Fifth grade	75	129	95	109
Food and Fitness	2,161	650	1,803	1,008
Character Counts	498		498	-
	<u>\$ 8,334</u>	<u>\$ 14,335</u>	<u>\$ 13,467</u>	<u>\$ 9,202</u>

See Independent Auditor's Report.

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

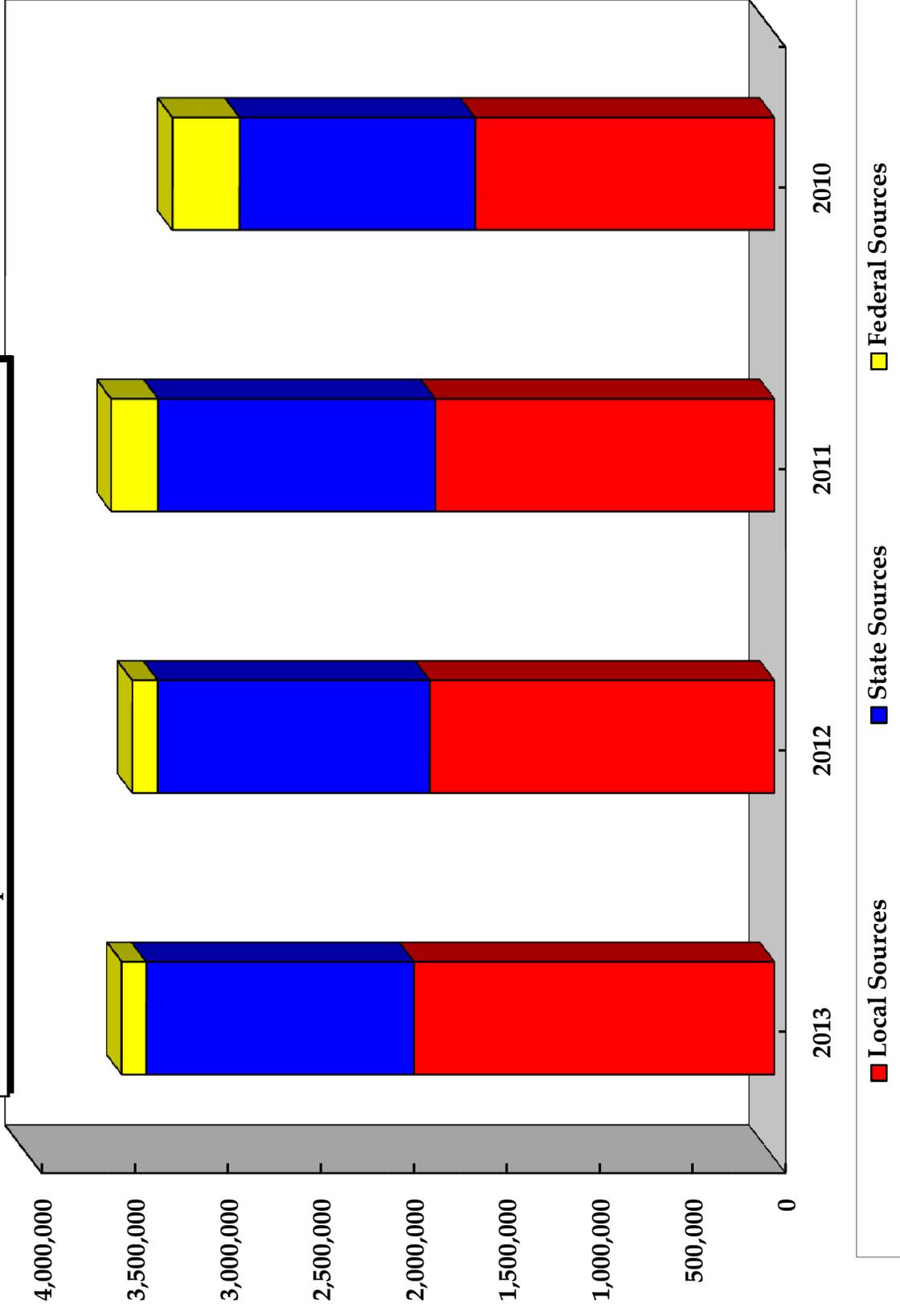
	2013	2012	2011	2010
REVENUES				
Local sources				
Local tax	\$ 1,788,752	\$ 1,664,815	\$ 1,585,311	\$ 1,406,581
Tuition	187,056	216,526	241,025	245,949
Other	325,913	369,194	373,243	367,279
Intermediate sources				
State sources	1,438,202	1,460,705	1,488,768	1,269,700
Federal sources	130,021	135,872	251,368	358,466
Total revenues	\$ 3,869,944	\$ 3,847,112	\$ 3,939,715	\$ 3,647,975
EXPENDITURES				
Current				
Instruction				
Regular instruction	\$ 1,797,902	\$ 1,769,813	\$ 1,688,538	\$ 1,734,694
Special instruction	615,034	582,257	507,819	491,741
Other instruction	249,355	248,623	321,376	325,785
Support services				
Student services	75,737	79,953	87,726	99,303
Instructional staff services	76,919	132,118	132,746	75,417
Administration services	292,658	294,293	300,873	273,572
Operation and maintenance plant services	235,217	308,516	325,113	324,585
Transportation services	241,079	254,305	194,654	203,889
Non-instructional	5,502	6,463	7,291	8,145
Other				
Facilities acquisition	67,740	103,923	86,666	69,400
Long-term debt				
Principal	91,355	86,097	91,566	83,909
Interest and fiscal charges	14,173	18,271	21,071	23,350
AEA flowthrough	115,390	114,219	130,898	128,700
Total expenditures	\$ 3,878,061	\$ 3,998,851	\$ 3,896,337	\$ 3,842,490

See Independent Auditor's Report.

SCHEDULE 6

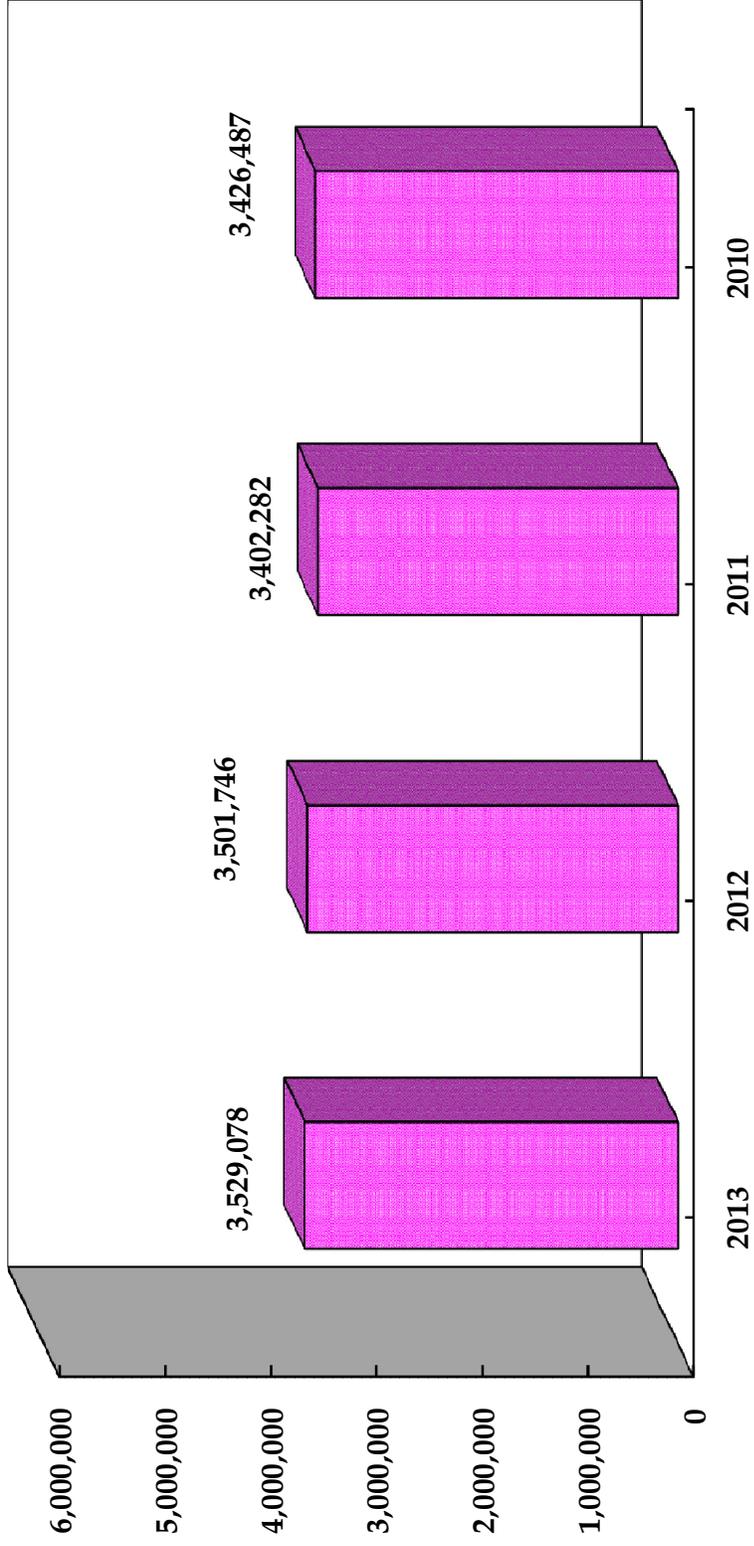
Modified Accrual					
2009	2008	2007	2006	2005	2004
\$ 1,346,276	\$ 1,265,229	\$ 1,156,908	\$ 1,051,110	\$ 1,073,996	\$ 1,339,652
256,721	275,148	302,360	251,262	217,594	176,324
386,371	369,488	365,150	411,699	384,591	105,559
			593	719	
1,551,870	1,630,503	1,459,772	1,478,799	1,485,245	1,301,288
199,856	172,083	179,185	188,080	123,443	122,077
<u>\$ 3,741,094</u>	<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>
\$ 1,599,614	\$ 1,535,079	\$ 1,731,983	\$ 1,614,585	\$ 1,671,552	\$ 1,626,798
620,954	588,889	536,354	472,837	456,109	552,080
293,878	201,442	213,416	232,265	82,900	68,406
69,838	106,128	116,984	75,622	47,476	46,381
67,753	40,082	68,502	60,146	47,342	33,155
298,561	279,909	237,164	226,694	217,775	209,259
261,088	233,406	178,646	146,214	158,425	128,574
207,208	232,682	227,234	252,560	216,795	246,843
5,608	5,972	7,443	8,480	18,804	6,783
104,688	26,780	223,334	246,909	142,780	42,583
70,400	93,323	115,242	83,319	77,747	93,031
27,088	30,678	34,430	36,923	39,942	41,518
118,943	117,281	111,326	110,110	108,509	108,251
<u>\$ 3,745,621</u>	<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>

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
Comparison of General Fund Revenues

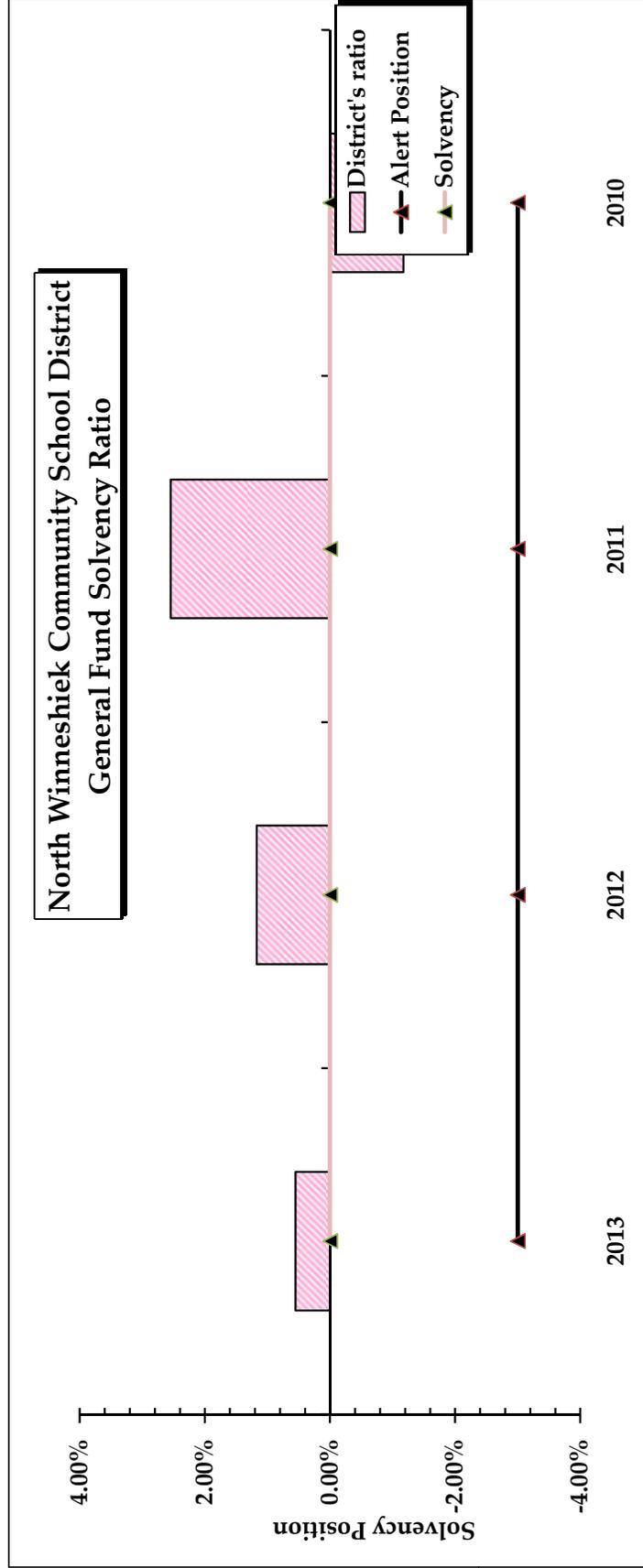


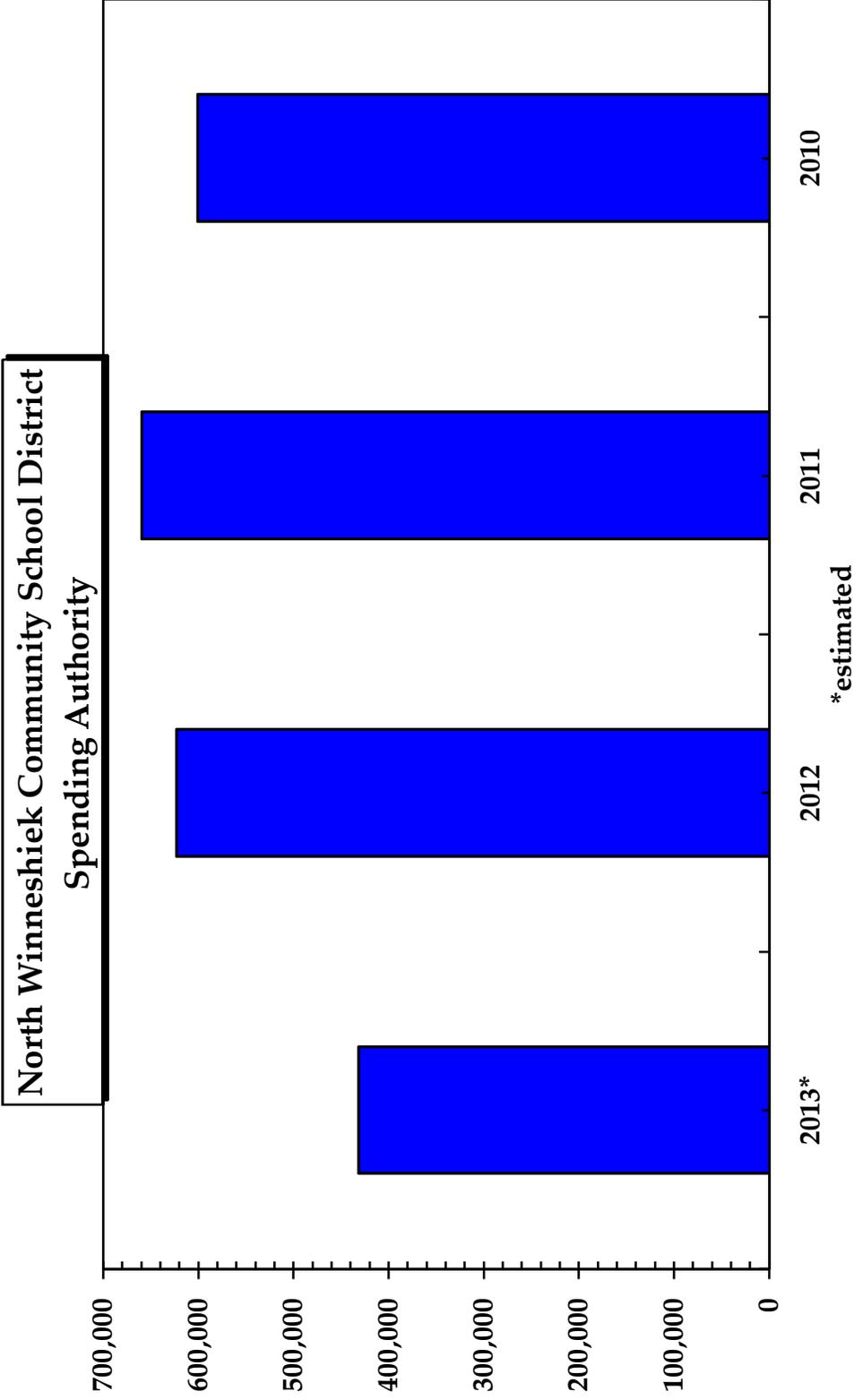
See Independent Auditor's Report.

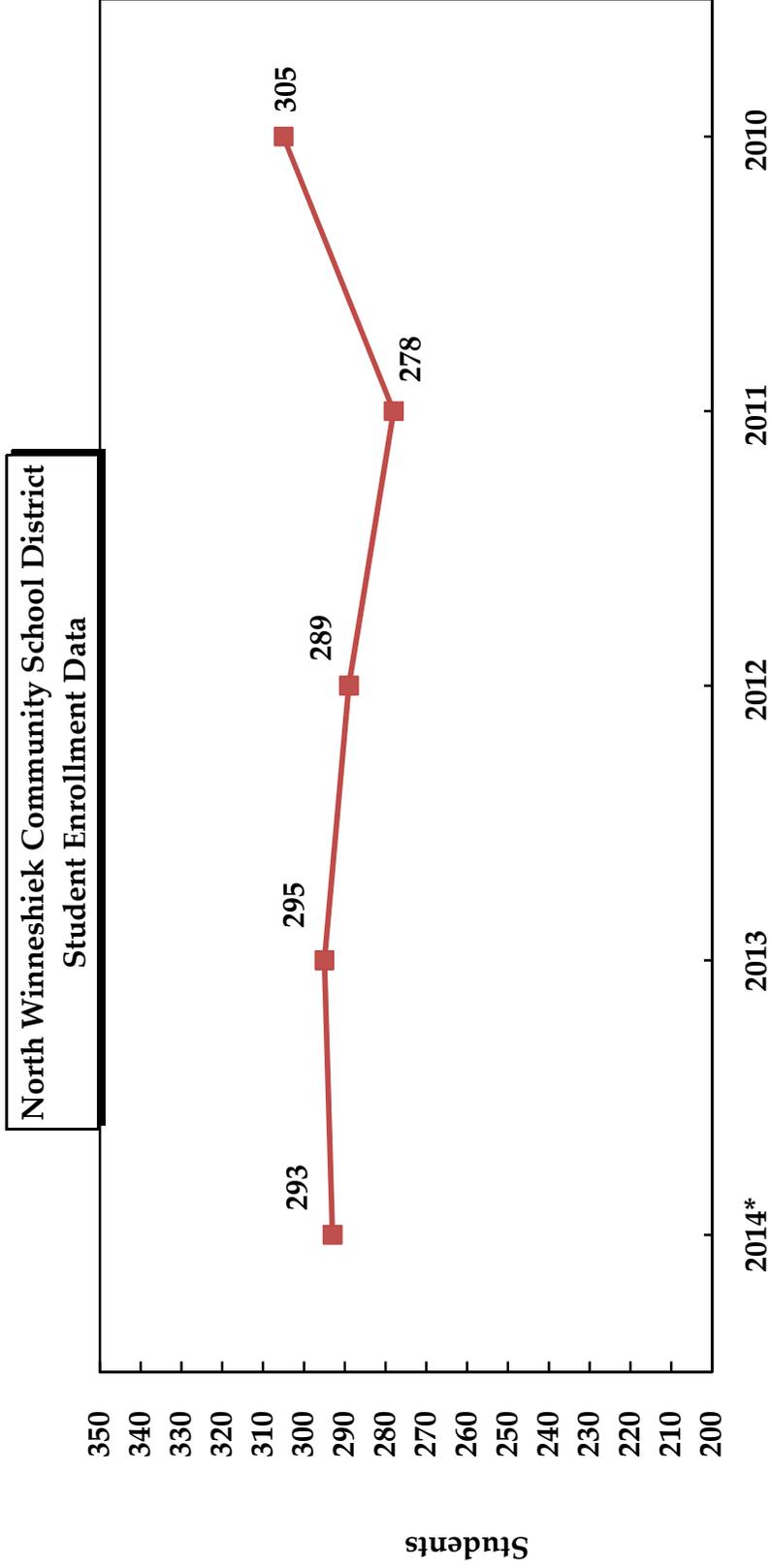
**NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
Comparison of General Fund Expenditures**



Totals By Year





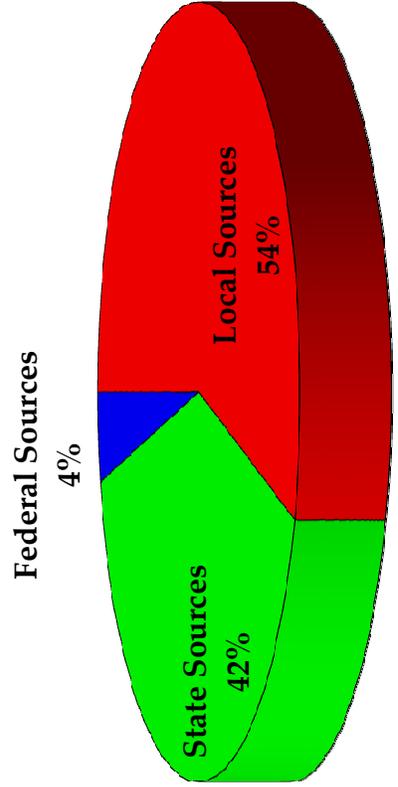


Resource: Total School Enrollment, Not Certified Enrollment, Line 11 of Certified

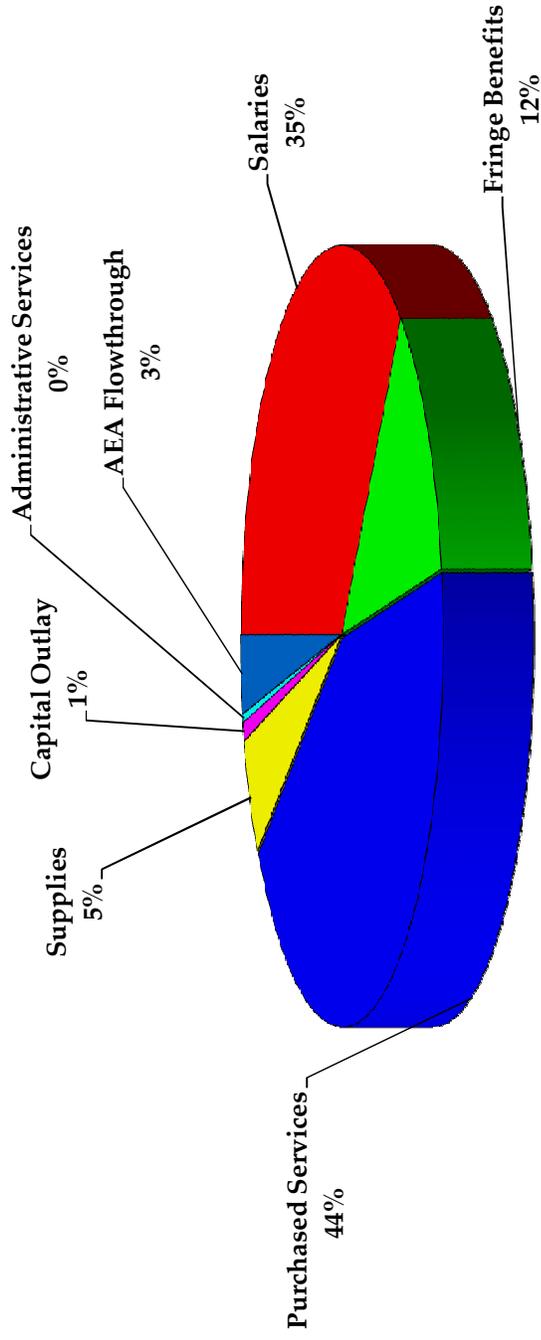
Enrollment Form

*estimated enrollment

**NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
General Fund Revenue Analysis Year Ended June 30, 2013**



NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
General Fund Expenditure Analysis Year Ended June 30, 2013



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, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise North Winneshiek Community School District's basic financial statements and have issued our report thereon dated November 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Winneshiek Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of North Winneshiek Community School District's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described below that we consider to be a significant deficiency.

1. 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. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Recommendation

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 and Corrective Action Planned

Management is cognizant of this limitation and will implement additional procedures whenever possible.

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 from 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*.

North Winneshiek Community School District's Response to Finding

North Winneshiek Community School District's response to the finding identified in our audit is described above. North Winneshiek Community School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
November 20, 2013

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, 2013, 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 through 13 below are compliance comments required by the Iowa Auditor of State. A separate report dated November 20, 2013 contains our report on the District's internal control over financial reporting. This letter does not affect our report dated November 20, 2013, on the financial statements of the North Winneshiek Community School District. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the District's responses and, accordingly, we express no opinion on them.

1. Certified Budget
Disbursements for the year ended June 30, 2013, did not exceed the amounts budgeted.
2. Questionable Expenditures
We noted no expenditures that may not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.
3. Travel Expense
No expenditures of District money for travel expenses of spouses of District officials and/or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions
We noted no business transactions between the District and District officials and/or employees for the year ended June 30, 2013.
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

The District had two students that were missed in the certified enrollment. One student was open enrolled out and was part of the home school program, the other student was kindergarten and was open enrolled out.

Recommendation

The District should make the changes on their program and notify the Department of Education.

Response

The District will make the changes in their system.

Conclusion

Response accepted.

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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	125,906
Statewide sales, services and use tax	\$	250,502	
Other local revenue		<u>7</u>	250,509
Expenditures/transfers out:			
School infrastructure:			
Equipment		35,949	
Whole grade sharing		43,450	
Other		37,057	
Debt service for school infrastructure:			
General obligation debt		<u>105,528</u>	221,984
Ending balance		\$	<u>154,431</u>

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

For the year ended June 30, 2013, 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	\$ 98,553
Physical plant and equipment levy	1.34	<u>151,956</u>
		<u>\$ 250,509</u>

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.

Decorah, Iowa
November 20, 2013