

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

FINANCIAL REPORT

JUNE 30, 2015

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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	2017
Scott Fairchild	Member	Decorah, Iowa	2017
Jon Wangsness	Member	Decorah, Iowa	2017

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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 17 to the financial statements, North Winneshiek Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, the budgetary comparison information, the schedule of the district's proportionate share of the net pension liability, the schedule of the district contributions, and the schedule of funding progress for the retiree health plan on pages 5 through 5g and pages 33 through 38 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 June 30, 2015 basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information shown on Schedules 1 through 8 is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated in all material respects in relation to the basic 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 October 8, 2015, 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
October 8, 2015

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
DECORAH, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2015

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, 2015.

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 increased by \$436,047. The District's revenues increased by 3.26%, or approximately \$132,000, with operating grants decreased by \$48,000, tuition increased by \$14,000 and local property taxes increased by \$182,000. District program expenses were 4.58% or approximately \$177,000 less in 2015 than in 2014.

General fund revenues accounted for \$3,760,514 in revenue or 89.74% of all revenues. General fund expenditures accounted for \$3,471,813 in expenditures or 89.53% 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 government-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 is the more significant fund.

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, the District's proportionate share of the net pension liability and related contributions, as well as presenting the schedule of funding progress for the retiree health plan.

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 government-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, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. 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.

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 fund is the general 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 project funds. 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 Fund

Services for which the District charges a fee are generally reported in the proprietary fund and is reported in the same way as the government-wide financial statements.

The proprietary fund 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.

GOVERNMENT-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 2015 totaled \$1,080,459.

Condensed Statement of Net Position
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total		Percent Change
	2015	2014*	2015	2014*	2015	2014*	
Current and other assets	\$ 3,032	\$ 2,668	\$ 10	\$ 9	\$ 3,042	\$ 2,677	13.63%
Capital assets	1,604	1,602	4	5	1,608	1,607	0.06%
Total assets	4,636	4,270	14	14	4,650	4,284	8.54%
Deferred outflows of resources	159	-	5	-	164	-	100.00%
Long-term debt outstanding	51	141	-	-	51	141	-63.83%
Other liabilities	1,228	479	72	33	1,300	512	153.91%
Total liabilities	1,279	620	72	33	1,351	653	106.89%
Deferred inflows of resources	2,436	2,043	6	1	2,442	2,044	19.47%
Net position							
Net investment in capital assets	1,604	1,505	4	5	1,608	1,510	6.49%
Restricted	161	175	-	-	161	175	-8.00%
Unrestricted (deficit)	(685)	(73)	(63)	(25)	(748)	(98)	-663.27%
Total net position (deficit)	\$ 1,080	\$ 1,607	\$ (59)	\$ (20)	\$ 1,021	\$ 1,587	-35.66%

* not restated

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District's total net position increased 67.67%, or approximately \$436,000, from the prior year. However, with the restatement of net position for net pension liability, the net position decreased 35.66%. The largest portion of the District's net position is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$14,000, or 8.00%, from the prior year. The decrease was primarily a result of a decrease in the carryover of categorical funding.

Unrestricted net position decreased approximately \$612,000, or 838.36%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business-type activities were restated by decreasing \$962,558 and \$14,658, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal years 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense, which is more reflective of the amounts employees earned during the year.

The following analysis shows the change in net position for the years ending June 30, 2015 and 2014 as shown below.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	Governmental Activities		Business-type Activities		Total		Percent Change
	2015	2014*	2015	2014*	2015	2014*	
Revenues:							
Program revenue							
Charges for service	\$ 213	\$ 227	\$ 39	\$ 43	\$ 252	\$ 270	-6.67%
Operating grants	453	501	47	48	500	549	-8.93%
General revenue							
Property taxes	2,057	1,875	-	-	2,057	1,875	9.71%
Sales tax and surtax	278	255	-	-	278	255	9.02%
Unrestricted state grants	1,155	1,195	-	-	1,155	1,195	-3.35%
Other revenue	35	5	-	19	35	24	45.83%
Total revenues	4,191	4,058	86	110	4,277	4,168	2.62%
Program expenses:							
Instruction	2,533	2,686	-	-	2,533	2,686	-5.70%
Student support	986	1,021	-	-	986	1,021	-3.43%
Non-instructional programs	7	5	111	119	118	124	-4.84%
Other expenses	229	219	-	-	229	219	4.57%
Total expenses	3,755	3,931	111	119	3,866	4,050	-4.54%
Increase (decrease) in net position	436	127	(25)	(9)	411	118	248.31%
Net position (deficit), Beginning of Year, restated	644	1,480	(34)	(11)	610	1,469	-58.48%
Net position (deficit), End of Year	\$ 1,080	\$ 1,607	\$ (59)	\$ (20)	\$ 1,021	\$ 1,587	-35.66%

* not restated

INDIVIDUAL FUND ANALYSIS

Governmental Fund Highlights

As the District completed the year, its governmental funds reported a combined fund balance of \$578,863, a \$312,815 increase of the 2014 fiscal year end balance of \$266,048.

The general fund received more revenue during fiscal year 2015 through property taxes. The general fund expenditures decreased in the instructional and support services function. In total general fund expenditures decreased by \$119,847. The ending fund balance showed an increase of \$288,701 to \$392,478.

Proprietary Fund Highlights

School nutrition fund net position decreased from (\$34,474) at June 30, 2014 to (\$59,334) at June 30, 2015, representing a decrease of approximately 72.11%. For fiscal year 2015, the District increased meal prices; however, enrollment was down resulting in a decrease in revenues. The District also reflected the related expenses for the net pension liability, which caused an overall reduction of net position.

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 District’s total revenues were \$107,229 less than total budgeted revenues, a variance of 2.45%. Even though local tax revenue increased in fiscal year 2015, a reduction in state resources caused the total amount received to be less than originally anticipated.

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

In spite of the District’s budgetary practice, the certified budget was exceeded in the student support services functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

The following chart shows the original and amended budget for fiscal 2015 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	\$ 2,618	\$ 2,613	\$ 5	
State sources	1,519	1,601	(82)	
Federal sources	140	170	(30)	
Total revenues	\$ 4,277	\$ 4,384	\$ (107)	
Expenditures				
Instruction	\$ 2,568	\$ 2,828	\$ 260	
Support services	1,046	1,037	(9)	
Non-instructional programs	118	132	14	
Other expenses	257	282	25	
Total expenditures	\$ 3,989	\$ 4,279	\$ 290	

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, North Winneshiek Community School District had \$1,604,167 invested in a broad range of capital assets, including buildings, land and equipment for the governmental activities. For the enterprise funds, the District had \$4,139 invested in equipment in the school nutrition fund.

The District's governmental activities had depreciation expense of \$129,265 for fiscal 2015 and total accumulated depreciation of \$2,623,190 as of June 30, 2015. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt

At year-end, the District had no general obligation bonded indebtedness outstanding. Other obligations include early retirement. More detail is presented in Note 6 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 FY16 283.3 to FY17 297.4, which is a net gain of 14.1 students.

The FY16 regular program District cost is \$1,912,940. The FY15 regular program District cost was \$1,894,000. The District saw an \$18,940 increase in regular program funding for the FY16 school year.

2. Supplemental Weighting

North Winneshiek Community School District will receive supplemental weighting in the amount of 6.422 students for FY16. The supplemental weighting provides additional general fund revenue for the District.

3. General Fund Balance

The FY14 general fund balance was \$91,555. The FY15 general fund balance was \$392,478. The balance increased by \$300,923. The District continues to impose a cash reserve levy of \$630,728.

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 FY15, the District had a 10.44% 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 FY14 \$252,900 to FY15 \$140,378 which is an \$112,522 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 FY15, the District's unspent balance ratio was 4.0%. *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 \$161,089 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 statewide 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. The District made the last payment of the bond debt from the 1997 addition.

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, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 779,989	\$ 5,096	\$ 785,085
Receivables			
Property tax			
Delinquent	26,206		26,206
Succeeding year	2,137,807		2,137,807
Accounts	12,216		12,216
Due from other governments	75,397		75,397
Inventories		4,135	4,135
Capital assets, non-depreciable	10,000		10,000
Capital assets, net of accumulated depreciation	1,594,167	4,139	1,598,306
	<u>4,635,782</u>	<u>13,370</u>	<u>4,649,152</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	159,208	5,380	164,588
	<u>159,208</u>	<u>5,380</u>	<u>164,588</u>
Total assets and deferred outflows of resources	\$ 4,794,990	\$ 18,750	\$ 4,813,740
	<u><u>4,794,990</u></u>	<u><u>18,750</u></u>	<u><u>4,813,740</u></u>
LIABILITIES			
Accounts payable	\$ 167,822		\$ 167,822
Salaries and benefits payable	196,402	\$ 11,198	207,600
Interfund payable (receivable)	(49,279)	49,279	-
Long-term liabilities			
Portion due within one year			
Early retirement	21,407		21,407
Portion due after one year			
Early retirement	30,312		30,312
Net pension liability	781,007	11,893	792,900
Net OPEB liability	131,200		131,200
	<u>1,278,871</u>	<u>72,370</u>	<u>1,351,241</u>
Total liabilities	1,278,871	72,370	1,351,241
	<u>1,278,871</u>	<u>72,370</u>	<u>1,351,241</u>
DEFERRED INFLOWS OF RESOURCES			
Succeeding year property tax	2,137,807		2,137,807
Pension related deferred inflows	297,853	4,536	302,389
Unspent hot lunch proceeds		1,178	1,178
	<u>2,435,660</u>	<u>5,714</u>	<u>2,441,374</u>
Total liabilities, deferred inflows of resources and net position	\$ 4,794,990	\$ 18,750	\$ 4,813,740
	<u><u>4,794,990</u></u>	<u><u>18,750</u></u>	<u><u>4,813,740</u></u>
NET POSITION			
Net investment in capital assets	1,604,167	4,139	1,608,306
Restricted for			
Management levy	25,109		25,109
Student activities	11,403		11,403
School infrastructure	116,604		116,604
Physical plant and equipment	33,269		33,269
Unrestricted (deficit)	(710,093)	(63,473)	(773,566)
	<u>1,080,459</u>	<u>(59,334)</u>	<u>1,021,125</u>
Total net position (deficit)	1,080,459	(59,334)	1,021,125
	<u>1,080,459</u>	<u>(59,334)</u>	<u>1,021,125</u>
Total liabilities, deferred inflows of resources and net position	\$ 4,794,990	\$ 18,750	\$ 4,813,740
	<u><u>4,794,990</u></u>	<u><u>18,750</u></u>	<u><u>4,813,740</u></u>

See Notes to Financial Statements.

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NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Functions and Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants
Governmental activities			
Instruction			
Regular instruction	\$ 1,778,574	\$ 162,264	\$ 279,802
Special instruction	536,740	15,640	4,628
Other instruction	217,601	9,249	44,383
	<u>2,532,915</u>	<u>187,153</u>	<u>328,813</u>
Support services			
Student services	52,217	19,261	
Instructional staff services	103,194		
Administration services	331,394		
Operation and maintenance plant services	292,813		
Transportation services	206,406	7,000	1,061
	<u>986,024</u>	<u>26,261</u>	<u>1,061</u>
Non-instructional	<u>7,076</u>		
Other			
Long-term debt interest	4,533		
Facilities acquisition	28,009		
AEA flowthrough	123,570		123,570
Depreciation (unallocated)*	72,453		
	<u>228,565</u>	<u>-</u>	<u>123,570</u>
Total governmental activities	3,754,580	213,414	453,444
Business-type activities			
Non-instructional programs			
Nutrition services	111,133	39,381	46,892
Total	\$ 3,865,713	\$ 252,795	\$ 500,336
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 (deficit), beginning of year, restated			
Net position (deficit), end of year			

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

See Notes to Financial Statements.

EXHIBIT B

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (1,336,508)		\$ (1,336,508)
(516,472)		(516,472)
(163,969)		(163,969)
(2,016,949)		(2,016,949)
(32,956)		(32,956)
(103,194)		(103,194)
(331,394)		(331,394)
(292,813)		(292,813)
(198,345)		(198,345)
(958,702)		(958,702)
(7,076)		(7,076)
(4,533)		(4,533)
(28,009)		(28,009)
-		-
(72,453)		(72,453)
(104,995)		(104,995)
(3,087,722)	\$ -	(3,087,722)
	(24,860)	(24,860)
(3,087,722)	(24,860)	(3,112,582)
1,917,955		1,917,955
95,184		95,184
43,502		43,502
277,870		277,870
1,155,458		1,155,458
336		336
33,464		33,464
3,523,769	-	3,523,769
436,047	(24,860)	411,187
644,412	(34,474)	609,938
\$ 1,080,459	\$ (59,334)	\$ 1,021,125

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and pooled investments			
Other	\$ 638,522	\$ 141,467	\$ 779,989
Receivables			
Property tax			
Delinquent	24,328	1,878	26,206
Succeeding year	1,992,520	145,287	2,137,807
Accounts	12,216		12,216
Due from other funds	49,279		49,279
Due from other governments	32,357	43,040	75,397
	<u>2,749,222</u>	<u>331,672</u>	<u>3,080,894</u>
Total assets	\$ 2,749,222	\$ 331,672	\$ 3,080,894
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 167,822		\$ 167,822
Salaries and benefits payable	196,402		196,402
	<u>364,224</u>	<u>\$ -</u>	<u>364,224</u>
Total liabilities	364,224	-	364,224
Deferred inflows of resources			
Unavailable revenues			
Succeeding year property tax	1,992,520	145,287	2,137,807
	<u>1,992,520</u>	<u>145,287</u>	<u>2,137,807</u>
Total deferred inflows of resources	1,992,520	145,287	2,137,807
Fund balances			
Restricted for			
Management levy		25,109	25,109
Student activities		11,403	11,403
School infrastructure		116,604	116,604
Physical plant and equipment		33,269	33,269
Unassigned	392,478		392,478
	<u>392,478</u>	<u>186,385</u>	<u>578,863</u>
Total fund balances	392,478	186,385	578,863
	<u>\$ 2,749,222</u>	<u>\$ 331,672</u>	<u>\$ 3,080,894</u>
Total liabilities, deferred inflows of resources and fund balances	\$ 2,749,222	\$ 331,672	\$ 3,080,894

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET POSITION

Total governmental fund balances		\$	578,863
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 \$ 2,623,190			1,604,167
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:			
Deferred outflows of resources	159,208		
Deferred inflows of resources	(297,853)		(138,645)
Some liabilities, including bonds payable and accrued interest, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds:			
Early retirement	(51,719)		
Net pension	(781,007)		
Net OPEB obligation	(131,200)		(963,926)
Net position of governmental activities per Exhibit A		\$	<u>1,080,459</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, 2015

	General	Nonmajor Governmental Funds	Total
REVENUES			
Local sources			
Local property tax	\$ 1,917,955	\$ 138,686	\$ 2,056,641
Tuition	143,517		143,517
Other	87,139	291,195	378,334
State sources	1,517,688	232	1,517,920
Federal sources	94,215		94,215
Total revenues	3,760,514	430,113	4,190,627
EXPENDITURES			
Current			
Instruction			
Regular instruction	1,731,248	82,648	1,813,896
Special instruction	536,740		536,740
Other instruction	205,605	11,996	217,601
	2,473,593	94,644	2,568,237
Support services			
Student services	51,662		51,662
Instructional staff services	62,394		62,394
Administration services	323,866	40,800	364,666
Operation and maintenance plant services	154,497	137,605	292,102
Transportation services	275,155		275,155
	867,574	178,405	1,045,979
Non-instructional	7,076		7,076
Other			
Long-term debt			
Principal		96,904	96,904
Interest and fiscal charges		5,179	5,179
Facilities acquisition		30,867	30,867
AEA flowthrough	123,570		123,570
	123,570	132,950	256,520
Total expenditures	3,471,813	405,999	3,877,812
EXCESS OF REVENUES OVER EXPENDITURES	288,701	24,114	312,815
OTHER FINANCING SOURCES (USES)			
Operating transfers in		101,905	101,905
Operating transfers (out)		(101,905)	(101,905)
	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND FINANCING USES	288,701	24,114	312,815
FUND BALANCE, beginning of year	103,777	162,271	266,048
FUND BALANCE, end of year	\$ 392,478	\$ 186,385	\$ 578,863

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, 2015

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	\$	312,815
 Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, 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 depreciation exceed capital outlays in the period.		
Depreciation	\$	(129,265)
Capital outlays		2,032
		131,297
 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.		
		96,903
 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.		
		647
 The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the statement of net position.		
		104,179
 Early retirement payments, pension, 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.		
Early retirement		(7,528)
Pension expense		(61,273)
Other postemployment benefits		(11,728)
		(80,529)
 Change in net position of governmental activities per Exhibit B	 \$	 436,047

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2015

	School Nutrition Fund
ASSETS	
CURRENT ASSETS	
Cash	\$ 5,096
Inventories	4,135
Total current assets	9,231
NONCURRENT ASSETS	
Furniture and equipment	97,095
Less accumulated depreciation	(92,956)
Total noncurrent assets	4,139
Total assets	13,370
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	5,380
Total assets and deferred outflows of resources	\$ 18,750
LIABILITIES	
CURRENT LIABILITIES	
Salaries and benefits payable	\$ 11,198
Due to other funds	49,279
Total current liabilities	60,477
NONCURRENT LIABILITIES	
Net pension liability	11,893
Total liabilities	72,370
DEFERRED INFLOWS OF RESOURCES	
Unspent hot lunch proceeds	1,178
Pension related deferred inflows	4,536
Total deferred inflows of resources	5,714
NET POSITION	
Net investment in capital assets	4,139
Unrestricted deficit	(63,473)
Total net position (deficit)	(59,334)
Total liabilities, deferred inflows of resources and net position	\$ 18,750

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, 2015

	School Nutrition Fund
OPERATING REVENUES	
Local sources	
Charges for services	\$ 39,381
OPERATING EXPENSES	
Non-instructional programs	
Food service operations	
Salaries	68,142
Supplies	41,925
Depreciation	1,066
Total operating expenses	111,133
Operating loss	(71,752)
NONOPERATING REVENUES	
State sources	656
Federal sources	46,236
Total nonoperating revenues	46,892
Change in net position	(24,860)
Net position (deficit), beginning of year, restated	(34,474)
Net position (deficit), end of year	\$ (59,334)

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2015

	<u>School Nutrition Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from sale of lunches and breakfasts	\$ 38,414
Cash received from miscellaneous operating activities	1,142
Cash payments paid on behalf of employees	(10,734)
Cash payments to employees for services	(56,617)
Cash payments to suppliers for goods and services	(31,302)
	(59,097)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from other funds	22,133
State grants and federal grants received	38,692
	60,825
Net increase in cash equivalents	1,728
CASH, beginning of year	3,368
CASH, end of year	\$ 5,096
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (71,752)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	1,066
Commodities used	8,200
Decrease in inventories	1,490
Increase in salaries payable	5,099
Increase in benefits payable	234
Decrease in net pension liability	(4,517)
Increase in deferred outflows of resources	(3,628)
Increase in deferred inflows of resources	4,711
	4,711
Net cash used in operating activities	\$ (59,097)

Non-cash, noncapital financing activities:

During the year ended June 30, 2015, the District received commodities valued at \$8,200.

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 fundraising 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.

Government-wide Financial Statements

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

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. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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 government-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.
- b. The government-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.

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

b. Significant Accounting Policies (Continued)

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 government-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 government-wide statements and the statements for governmental funds.

Proprietary fund distinguishes 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 proprietary 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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 government-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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

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, 2015, 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 government-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 the proprietary fund 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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 government-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

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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, 2015 was used to calculate the salaries payable.

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

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity (Continued)

Long-term Obligation

In the government-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. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of the succeeding year property tax receivable and unspent hot lunch proceeds.

Deferred inflows of resources in the statement of net position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and unspent hot lunch proceeds.

Fund Balance

In the governmental fund financial statements, fund balances are classified as follows:

Restricted fund balances are 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 not included in other spendable classifications.

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

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity (Continued)
Net Position

Net investment in capital assets, 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 acquisition, construction, or improvement of those assets.

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

Unrestricted net position 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.

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits and Pooled Investments

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified portfolio	<u>\$ 73,897</u>

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.

NOTES TO FINANCIAL STATEMENTS

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2015:

Governmental		
General fund		
Title I	\$	9,993
Title IIA		13,895
Special education		8,320
Other		149
		32,357
Capital project		
Local option sales tax		43,040
		\$ 75,397

4. Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Governmental activities				
Land	\$ 10,000			\$ 10,000
Capital assets being depreciated				
Improvements	476,961	\$ 2,858		479,819
Buildings	2,002,661			2,002,661
Furniture and equipment	1,638,785	128,439	\$ 32,347	1,734,877
Total capital assets being depreciated	4,118,407	131,297	32,347	4,217,357
Less accumulated depreciation for:				
Improvements	362,009	13,515		375,524
Buildings	1,231,497	40,065		1,271,562
Furniture and equipment	932,766	75,685	32,347	976,104
Total accumulated depreciation	2,526,272	129,265	32,347	2,623,190
Total capital assets being depreciated, net	1,592,135	2,032	None	1,594,167
Governmental activities				
Capital assets	\$ 1,602,135	\$ 2,032	\$ None	\$ 1,604,167
Business-type activities				
Furniture and equipment	\$ 97,095			\$ 97,095
Less accumulated depreciation	91,890	\$ 1,066	\$ None	92,956
Business-type activities	\$ 5,205	\$ (1,066)	\$ None	\$ 4,139

NOTES TO FINANCIAL STATEMENTS

4. **Capital Assets (Continued)**

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

Governmental activities		
Instruction		
Regular	\$	4,944
Support services		
Student support services		3,204
Operation and maintenance		711
Transportation		47,953
		56,812
Unallocated depreciation		72,453
Total depreciation expense		
Governmental activities		\$ 129,265
Business-type activities		
Food services	\$	1,066

5. **Due from/to Other Funds**

As of June 30, 2015, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 49,279	
Nutrition - enterprise fund		\$ 49,279
Total	\$ 49,279	\$ 49,279

6. **Long-term Debt Obligations**

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Governmental activities					
Bonds					
General obligation	\$ 90,000		\$ 90,000	\$ None	\$ None
Other liabilities					
Capital leases	6,903		6,903	None	None
Early retirement	44,191	\$ 22,969	15,441	51,719	21,407
	51,094	22,969	22,344	51,719	21,407
Governmental activities					
Long-term liabilities	\$ 141,094	\$ 22,969	\$ 112,344	\$ 51,719	\$ 21,407

6. Long-term Debt Obligations (Continued)

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least twenty 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.

As of June 30, 2015, two new early retirement benefits were offered.

At June 30, 2015, the District has obligations to four participants with a total liability of \$51,719. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$15,441.

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 an annual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the fiscal year. 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 the 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 2014-2015 ONE included taxable warrants only. The interest rates on the Series 2014-2015 ONE warrants are variable rates, calculated daily, based on the one-month LIBOR rate plus 105 basis points. The LIBOR rate at June 30, 2015 was .1859%. A summary of the District's ISCAP activity for the year ended June 30, 2015 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning Year	Advances Received	Advances Repaid	Balance End of Year
2014-15ONE	06/27/14	12/1/15	\$ None	\$ 100,000	\$ 100,000	\$ None

During the year ended June 30, 2015, the District paid \$191 of interest on the ISCAP warrants.

8. Pension Plan

Plan Description

IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report, which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

8. Pension Plan (Continued)

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the District contributed 8.93% for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2015 were \$108,721.

NOTES TO FINANCIAL STATEMENTS

8. Pension Plan (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of \$792,900 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was 0.019592%, which was an increase of 0.000269 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$62,206. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,617	
Changes of assumptions	34,992	
Net difference between projected and actual earnings on pension plan investments		\$ 302,389
Changes in proportion and differences between District contributions and proportionate share of contributions	12,258	
District contributions subsequent to the measurement date	108,721	
Total	\$ 164,588	\$ 302,389

\$108,721 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (62,544)
2017	(62,544)
2018	(62,544)
2019	(62,544)
2020	3,655
Total	\$ (246,521)

There were no non-employer contributing entities at IPERS.

NOTES TO FINANCIAL STATEMENTS

8. Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00% to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-term Expected Real Rate of Return
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

8. **Pension Plan (Continued)**

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 1,498,163	\$ 792,900	\$ 197,586

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report, which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan

At June 30, 2015, the District had no payables to report for the defined benefit pension plan for legally required employer contributions and legally required employee contributions, which had been withheld from employee wages but not yet remitted to IPERS.

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 employees, retirees and their spouses. North Winneshiek Community School District has 26 active and 1 retired member in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are 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, which 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.

9. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	17,026
Interest on net OPEB obligation		2,987
Adjustment to annual required contribution		(6,917)
Annual OPEB cost		13,096
Contributions made		(1,368)
Increase in net OPEB obligation		11,728
Net OPEB obligation beginning of year		119,472
Net OPEB obligation end of year	\$	131,200

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$1,368 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 are summarized below as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 27,619	15.91%	\$ 109,238
June 30, 2014	27,399	44.05%	119,472
June 30, 2015	17,026	10.45%	131,200

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$115,611 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$115,611. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1.139 million, and the ratio of the UAAL to covered payroll was 10.2%. As of June 30, 2015, 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 for the retiree health plan, 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 provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

9. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions (Continued)

As of July 1, 2014 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 \$559 to \$762, 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,
- 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, 2015, 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, 2015 was unavailable as of October 8, 2015. The District contributions to the trust for the years ended June 30, 2015, 2014, and 2013 were \$249,054, \$271,597, and \$262,597, respectively, which equaled the required contributions each year. The employees paid \$4,798 in dental insurance for the year ended June 30, 2015.

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, 2015, no liability has been recorded in the District's financial statements. As of June 30, 2015, 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.

NOTES TO FINANCIAL STATEMENTS

12. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

	Transfers In	Transfers Out
Capital project fund		
Statewide sales, services and use tax		\$ 101,905
Debt service fund	\$ 101,905	
Total	\$ 101,905	\$ 101,905

Transfers are to move resources from the capital project 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.

13. 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 \$123,570 for the year ended June 30, 2015 and is recorded in the general fund by making a memorandum adjusting entry to the cash basis financial statements.

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, 2015 amount to \$242,635 and commitments to be reimbursed is \$None.

15. Contingencies

a. Grant Funding

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2015, 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.

NOTES TO FINANCIAL STATEMENTS

16. Net Position Deficits

The governmental activities and school nutrition proprietary fund each have a deficit net position as of June 30, 2015. Both deficits were incurred due to the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27*. The District is also working on eliminating a portion of the school nutrition proprietary fund deficit through raising fees. The District tries to increase their meal prices to stay competitive and not to lose their daily meal count.

17. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments, which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and for changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental and business-type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business-type Activities
Net position June 30, 2014, as previously reported	\$ 1,606,970	\$ (19,816)
Net pension liability at June 30, 2014	(1,077,633)	(16,410)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	115,075	1,752
Net position July 1, 2014, as restated	\$ 644,412	\$ (34,474)

18. Subsequent Events

Management has evaluated subsequent events through October 8, 2015, 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, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
REVENUES			
Local sources	\$ 2,578,492	\$ 39,381	\$ 2,617,873
State sources	1,517,920	656	1,518,576
Federal sources	94,215	46,236	140,451
Total revenues	4,190,627	86,273	4,276,900
EXPENDITURES/EXPENSES			
Instruction	2,568,237		2,568,237
Support services	1,045,979		1,045,979
Non-instructional	7,076	111,133	118,209
Other	256,520		256,520
Total expenditures/expenses	3,877,812	111,133	3,988,945
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	312,815	(24,860)	287,955
FUND BALANCE (deficit), beginning of year	266,048	(34,474)	231,574
FUND BALANCE (deficit), end of year	\$ 578,863	\$ (59,334)	\$ 519,529

See Notes to Required Budgetary Information and Independent Auditor's Report.

<u>Budget Amounts</u>		<u>Final to</u>
<u>Original</u>		<u>Actual</u>
<u>Final</u>		<u>Variance-</u>
		<u>Positive</u>
		<u>(Negative)</u>
\$ 2,613,087	\$	4,786
1,600,645		(82,069)
170,397		(29,946)
<u>4,384,129</u>		<u>(107,229)</u>
2,828,000		259,763
1,037,250		(8,729)
131,400		13,191
282,406		25,886
<u>4,279,056</u>		<u>290,111</u>
105,073		182,882
92,604		138,970
<u>\$ 197,677</u>	<u>\$</u>	<u>321,852</u>

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2015

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 a GAAP 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 function level, not by fund. The Code of Iowa also provides District expenditures in the general fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2015, expenditures in the support services function exceeded the amounts budgeted.

See Independent Auditor's Report.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 Last Fiscal Year*
 (In Thousands)

	2015
District's proportion of the net pension liability	0.019592%
District's proportionate share of the net pension liability	\$ 793
District's covered-employee payroll	\$ 1,217
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	65.16%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See Notes to Required Pension Liability Information and Independent Auditor's Report.

Required Supplementary Information

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 Last 10 Fiscal Years
 (In Thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 109	\$ 117	\$ 108	\$ 107
Contributions in relation to the statutorily required contribution	<u>(109)</u>	<u>(117)</u>	<u>(108)</u>	<u>(107)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,220	\$ 1,310	\$ 1,245	\$ 1,326
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See Notes to Required Pension Liability Information and Independent Auditor's Report.

2011	2010	2009	2008	2007	2006
\$ 90	\$ 88	\$ 84	\$ 73	\$ 75	\$ 71
(90)	(88)	(84)	(73)	(75)	(71)
<u>\$ -</u>					
\$ 1,295	\$ 1,324	\$ 1,322	\$ 1,207	\$ 1,304	\$ 1,235
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2015

Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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%
2014	July 1, 2012	-	\$ 160	\$ 160	0.0%	\$ 1,123	14.2%
2015	July 1, 2014	-	\$ 116	\$ 116	0.0%	\$ 1,139	10.2%

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.

See Independent Auditor's Report.

Other Supplementary Information

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2015

	Special Revenue	Capital Project	Total Nonmajor Funds
ASSETS			
Cash and pooled investments	\$ 35,223	\$ 106,244	\$ 141,467
Receivables			
Property tax			
Delinquent	1,289	589	1,878
Succeeding year	100,000	45,287	145,287
Due from other governments		43,040	43,040
Total assets	\$ 136,512	\$ 195,160	\$ 331,672
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Deferred inflows of resources			
Unavailable revenues			
Succeeding year property tax	\$ 100,000	\$ 45,287	\$ 145,287
Total deferred inflows of resources	100,000	45,287	145,287
Fund balances			
Restricted	36,512	149,873	186,385
Total fund balances	36,512	149,873	186,385
Total liabilities, deferred inflows of resources and fund balances	\$ 136,512	\$ 195,160	\$ 331,672

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, 2015

	Special Revenue	Capital Project	Debt Service	Total Nonmajor Funds
REVENUES				
Local sources				
Property taxes	\$ 95,184	\$ 43,502		\$ 138,686
Other	13,298	277,897		291,195
State sources	159	73		232
Total revenues	108,641	321,472	\$ -	430,113
EXPENDITURES				
Current				
Instruction				
Regular instruction	16,527	66,121		82,648
Other instruction	11,996			11,996
Support services				
Instructional staff services		40,800		40,800
Operation and maintenance plant services	53,250	84,355		137,605
Other				
Facilities acquisition		30,867		30,867
Long-term debt				
Principal			96,904	96,904
Interest and fiscal charges			5,179	5,179
Total expenditures	81,773	222,143	102,083	405,999
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	26,868	99,329	(102,083)	24,114
OTHER FINANCING SOURCES (USES)				
Transfers in			101,905	101,905
Transfers (out)		(101,905)		(101,905)
	-	(101,905)	101,905	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES	26,868	(2,576)	(178)	24,114
FUND BALANCE, beginning of year	9,644	152,449	178	162,271
FUND BALANCE, end of year	\$ 36,512	\$ 149,873	\$ -	\$ 186,385

See Independent Auditor's Report.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2015

	Management Levy	Student Activity	Total Nonmajor Special Revenue Funds
ASSETS			
Cash and pooled investments	\$ 23,820	\$ 11,403	\$ 35,223
Receivables			
Property tax			
Delinquent	1,289		1,289
Succeeding year	100,000		100,000
Total assets	\$ 125,109	\$ 11,403	\$ 136,512
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Deferred inflows of resources			
Unavailable revenues			
Succeeding year property tax	\$ 100,000		\$ 100,000
Total deferred inflows of resources	100,000	\$ -	100,000
Fund balances			
Restricted	25,109	11,403	36,512
Total fund balances	25,109	11,403	36,512
Total liabilities, deferred inflows of resources and fund balances	\$ 125,109	\$ 11,403	\$ 136,512

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, 2015

	Management Levy	Student Activity	Total Nonmajor Special Revenue Funds
REVENUES			
Local sources			
Local property tax	\$ 95,184		\$ 95,184
Other	29	\$ 13,269	13,298
State sources	159		159
Total revenues	95,372	13,269	108,641
EXPENDITURES			
Current			
Instruction			
Regular instruction	16,527		16,527
Other instruction		11,996	11,996
Support services			
Operation and maintenance plant services	53,250		53,250
Total expenditures	69,777	11,996	81,773
EXCESS OF REVENUES OVER EXPENDITURES	25,595	1,273	26,868
FUND BALANCE (deficit), beginning of year	(486)	10,130	9,644
FUND BALANCE, end of year	\$ 25,109	\$ 11,403	\$ 36,512

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, 2015

	Balance June 30, 2014	Revenues	Expenditures	Balance June 30, 2015
Summer Recreation	\$ 2,520	\$ 6,786	\$ 4,185	\$ 5,121
Staff Activity	145	327	341	131
Athletics	1,323	224	843	704
Yearbook	2,606	1,311	2,114	1,803
Elementary Student Council	503	60	546	17
Middle Student Council	28	621	597	52
Clearing		728	728	-
Miscellaneous Student Activity	1,301	971	1,000	1,272
Box Tops/Milk Caps	971	1,946	1,346	1,571
Fifth Grade	210	195	119	286
Food and Fitness	523	100	177	446
	<u>\$ 10,130</u>	<u>\$ 13,269</u>	<u>\$ 11,996</u>	<u>\$ 11,403</u>

See Independent Auditor's Report.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECT FUNDS
 June 30, 2015

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total Nonmajor Capital Project Funds
ASSETS			
Cash and pooled investments	\$ 73,564	\$ 32,680	\$ 106,244
Receivables			
Property tax			
Delinquent		589	589
Succeeding year		45,287	45,287
Due from other governments	43,040		43,040
 Total assets	\$ 116,604	\$ 78,556	\$ 195,160
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Deferred inflows of resources			
Unavailable revenues			
Succeeding year property tax		\$ 45,287	\$ 45,287
 Total deferred inflows of resources	\$ -	45,287	45,287
 Fund balances			
Restricted	116,604	33,269	149,873
 Total liabilities, deferred inflows of resources and fund balances	\$ 116,604	\$ 78,556	\$ 195,160

See Independent Auditor's Report.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECT FUNDS
 For the Year Ended June 30, 2015

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total Nonmajor Capital Project Funds
REVENUES			
Local sources			
Local property tax		\$ 43,502	\$ 43,502
Other	\$ 277,874	23	277,897
State sources		73	73
Total revenues	<u>277,874</u>	<u>43,598</u>	<u>321,472</u>
EXPENDITURES			
Current			
Instruction			
Regular instruction	34,463	31,658	66,121
Support services			
Instructional staff services	40,800		40,800
Operation and maintenance plant services	84,355		84,355
Other			
Facilities acquisition	23,887	6,980	30,867
Total expenditures	<u>183,505</u>	<u>38,638</u>	<u>222,143</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>94,369</u>	<u>4,960</u>	<u>99,329</u>
OTHER FINANCING (USES)			
Operating transfers out	(101,905)		(101,905)
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) OVER EXPENDITURES AND FINANCING USES	(7,536)	4,960	(2,576)
FUND BALANCE, beginning of year	<u>124,140</u>	<u>28,309</u>	<u>152,449</u>
FUND BALANCE, end of year	<u>\$ 116,604</u>	<u>\$ 33,269</u>	<u>\$ 149,873</u>

See Independent Auditor's Report.

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

	2015	2014	2013	2012
REVENUES				
Local sources				
Local tax	\$ 2,056,641	\$ 1,874,799	\$ 1,788,752	\$ 1,664,815
Tuition	143,517	159,181	187,056	216,526
Other	378,334	346,862	325,913	369,194
Intermediate sources				
State sources	1,517,920	1,587,839	1,438,202	1,460,705
Federal sources	94,215	109,471	130,021	135,872
Total revenues	<u>\$ 4,190,627</u>	<u>\$ 4,078,152</u>	<u>\$ 3,869,944</u>	<u>\$ 3,847,112</u>
EXPENDITURES				
Current				
Instruction				
Regular instruction	\$ 1,813,896	\$ 1,824,550	\$ 1,797,902	\$ 1,769,813
Special instruction	536,740	604,029	615,034	582,257
Other instruction	217,601	250,474	249,355	248,623
Support services				
Student services	51,662	67,280	75,737	79,953
Instructional staff services	62,394	55,826	76,919	132,118
Administration services	364,666	333,319	292,658	294,293
Operation and maintenance plant services	292,102	320,431	235,217	308,516
Transportation services	275,155	274,165	241,079	254,305
Non-instructional	7,076	5,365	5,502	6,463
Other				
Facilities acquisition	30,867	50,011	67,740	103,923
Long-term debt				
Principal	96,904	96,623	91,355	86,097
Interest and fiscal charges	5,179	9,826	14,173	18,271
AEA flowthrough	123,570	121,067	115,390	114,219
Total expenditures	<u>\$ 3,877,812</u>	<u>\$ 4,012,966</u>	<u>\$ 3,878,061</u>	<u>\$ 3,998,851</u>

See Independent Auditor's Report.

SCHEDULE 8

Modified Accrual					
2011	2010	2009	2008	2007	2006
\$ 1,585,311	\$ 1,406,581	\$ 1,346,276	\$ 1,265,229	\$ 1,156,908	\$ 1,051,110
241,025	245,949	256,721	275,148	302,360	251,262
373,243	367,279	386,371	369,488	365,150	411,699
					593
1,488,768	1,269,700	1,551,870	1,630,503	1,459,772	1,478,799
251,368	358,466	199,856	172,083	179,185	188,080
<u>\$ 3,939,715</u>	<u>\$ 3,647,975</u>	<u>\$ 3,741,094</u>	<u>\$ 3,712,451</u>	<u>\$ 3,463,375</u>	<u>\$ 3,381,543</u>
\$ 1,688,538	\$ 1,734,694	\$ 1,599,614	\$ 1,535,079	\$ 1,731,983	\$ 1,614,585
507,819	491,741	620,954	588,889	536,354	472,837
321,376	325,785	293,878	201,442	213,416	232,265
87,726	99,303	69,838	106,128	116,984	75,622
132,746	75,417	67,753	40,082	68,502	60,146
300,873	273,572	298,561	279,909	237,164	226,694
325,113	324,585	261,088	233,406	178,646	146,214
194,654	203,889	207,208	232,682	227,234	252,560
7,291	8,145	5,608	5,972	7,443	8,480
86,666	69,400	104,688	26,780	223,334	246,909
91,566	83,909	70,400	93,323	115,242	83,319
21,071	23,350	27,088	30,678	34,430	36,923
130,898	128,700	118,943	117,281	111,326	110,110
<u>\$ 3,896,337</u>	<u>\$ 3,842,490</u>	<u>\$ 3,745,621</u>	<u>\$ 3,491,651</u>	<u>\$ 3,802,058</u>	<u>\$ 3,566,664</u>

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, 2015, 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 October 8, 2015.

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. We did identify a certain deficiency in internal control, described below that we consider to be a significant deficiency.

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.

Criteria

A properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

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
October 8, 2015

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, 2015, 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 12 below are compliance comments required by the Iowa Auditor of State. A separate report dated October 8, 2015 contains our report on the District's internal control over financial reporting. This letter does not affect our report dated October 8, 2015, 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

Expenditures for the year ended June 30, 2015 exceeded the certified budget amounts in the support services functions.

Recommendation

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

Response and Corrective Action Planned

The District will monitor certified budget expenditures and amend the budget as necessary.

Conclusion

Response accepted.

2. Questionable Expenditures

We noted no expenditures that may not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

3. Travel Expense

No expenditures of District money for travel expenses of spouses of District officials and/or employees were noted. No travel advances to District officials or employees were noted.

4. Business Transactions

We noted no business transactions between the District and District officials and/or employees for the year ended June 30, 2015.

5. **Bond Coverage**
Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. **Board Minutes**
We noted no transactions requiring Board approval, which had not been, approved by the Board. We also noted no minutes and bills that had not been published as required.
7. **Certified Enrollment**
No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. **Supplementary Weighting**
No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. **Deposits and Investments**
A resolution naming official depository banks has been approved by the Board. The maximum deposit amounts stated in the resolution for the accounts held at Decorah Bank and Trust were exceeded during the year ended June 30, 2015.

Recommendation

We recommend depository amounts be monitored to prevent exceeding the resolution. The Board should reconsider the amount that is necessary to be set for the depository resolution.

Response and Corrective Action Planned

The District will monitor cash levels in the accounts to make sure we do not exceed our approved limits. If necessary, general fund dollars will be transferred to ISJIT.

Conclusion

Response accepted.

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. **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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

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

Beginning balance		\$	124,140
Statewide sales, services and use tax	\$	277,870	
Other local revenue		<u>4</u>	277,874
Expenditures/transfers out:			
School infrastructure:			
Equipment		108,242	
Whole grade sharing		34,463	
Other		40,800	
Debt service for school infrastructure:			
General obligation debt		<u>101,905</u>	285,410
Ending balance			<u>\$ 116,604</u>

For the year ended June 30, 2015, 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	\$ 94,709
Physical plant and equipment levy	1.34	<u>183,161</u>
		<u>\$ 277,870</u>

13. Student Activity Fund

For the items tested, 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.

14. Student Activity Deposits

During our audit, we noted the District does not maintain any detail on deposits for baseball and softball registration to verify if the student has or has not paid the fees before participating in the activity.

Recommendation

We recommend the Board set a policy that all fees are fully collected and the roster given to the administrative staff to verify that the student may participate in the program.

Response and Corrective Action Planned

The District will verify payment for students participating in the summer rec. program. The District, however, will not exclude students who cannot afford the registration fee. All students who wish to participate will be allowed to.

Conclusion

Response accepted.

15. Disbursements

During our audit, we noted one credit card bill had two meal charges without the detail receipt attached.

Recommendation

We recommend the District require detail receipts for all meal charges and reimbursements.

Response and Corrective Action Planned

Detailed receipts will be collected for all meals charges and reimbursements.

Conclusion

Response accepted.

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

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

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

Hacher, Nelson & Co., P.C.

Decorah, Iowa
October 8, 2015