

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

FINANCIAL REPORT

JUNE 30, 2017

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NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION AND SCHOOL OFFICIALS

Name	Title	Address	Term Expires
<u>Board of Education</u>			
Brenda Kreitzer	President	Decorah, Iowa	2019
Ben Lange	Vice President	Decorah, Iowa	2019
Myron Rediske	Board Member	Decorah, Iowa	2017
Scott Fairchild	Board Member	Decorah, Iowa	2017
Jon Wangsness	Board Member	Decorah, Iowa	2017

School Officials

Tim Dugger - Superintendent
Cheryl Miller – 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, 2017, 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 District'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 District'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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, the budgetary comparison information, the schedule of the district's proportionate share of the net pension liability, the schedule of district contributions and the schedule of funding progress for the retiree health plan on pages 4 through 4f and pages 31 through 36 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, 2017 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, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, 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 6 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 years ended June 30, 2008 through 2017 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 November 13, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North Winneshiek Community School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Winneshiek Community School District's internal control over financial reporting and compliance.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
November 13, 2017

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
DECORAH, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2017

This section of the North Winneshiek Community School District's annual financial report presents the District's management discussion and analysis of the District's financial activities during the fiscal year ending June 30, 2017.

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.

2017 FINANCIAL HIGHLIGHTS

In total, net position increased by \$362,075. The District's revenues increased by 2.98% or approximately \$126,000, with unrestricted state grants increasing by \$48,000 and local property taxes decreased by \$153,000. District program expenses increased 1.11% or approximately \$44,000 more in fiscal year 2017 than in fiscal year 2016.

General fund revenues accounted for \$3,629,039 in revenue or 84.71% of all governmental revenues. General fund expenditures accounted for \$3,609,807 in expenditures or 92.19% of all governmental expenditures.

USING THIS ANNUAL REPORT

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 annual report consists of a series of financial statements, notes to those statements and other information, as follows.

Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The government-wide financial statements consist of a statement of net position and a statement of activities. These 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 financial statements by providing information about the most significant funds with all other nonmajor funds presented in total in a single column. For North Winneshiek Community School District, the general fund and the special revenue management levy fund are the more significant funds.

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

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

Government-wide Financial Statements

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.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *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.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's major funds. The District uses different funds in accordance with the Uniform Financial Accounting for Iowa LEA's, as required by the Iowa Department of Education, to record its financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds for fiscal year 2017 are the general fund and the special revenue management levy fund.

The District has two kinds of funds:

- 1) *Governmental funds:* most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) 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 to 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, the special revenue funds and the capital project funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES (Continued)

Fund Financial Statements (Continued)

2) *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.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The North Winneshiek Community School District's net position at the end of fiscal year 2017 totaled \$1,663,039. The following is a summary perspective of the statement of net position of the District as a whole:

	Condensed Statement of Net Position					
	(Expressed in Thousands)					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 3,140	\$ 3,030	\$ 10	\$ 16	\$ 3,150	\$ 3,046
Capital assets	1,677	1,696	3	3	1,680	1,699
Total assets	4,817	4,726	13	19	4,830	4,745
Deferred outflows of resources	273	275	13	9	286	284
Long-term debt outstanding	54	57	-	-	54	57
Other liabilities	1,493	1,265	82	84	1,575	1,349
Total liabilities	1,547	1,322	82	84	1,629	1,406
Deferred inflows of resources	1,819	2,317	5	5	1,824	2,322
Net position:						
Net investment in capital assets	1,677	1,696	3	3	1,680	1,699
Restricted	465	103	-	-	465	103
Unrestricted (deficit)	(418)	(437)	(64)	(64)	(482)	(501)
Total net position (deficit)	\$ 1,724	\$ 1,362	\$ (61)	\$ (61)	\$ 1,663	\$ 1,301

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District's total net position increased 27.83% or approximately \$362,000 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, buildings and equipment).

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 increased approximately \$363,000 or 351.46%, from the prior year. The increase was primarily the result of an increase in the school infrastructure and management levy carryovers.

Unrestricted net position increased approximately \$20,000 or 3.94%.

The following analysis shows the change in net position for the years ending June 30, 2017 and 2016 as shown below:

	Changes in Net Position of Governmental Activities (Expressed in Thousands)					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenue:						
Charges for service	\$ 274	\$ 232	\$ 26	\$ 33	\$ 300	\$ 265
Operating grants	569	458	46	41	615	499
General revenue:						
Property taxes	1,986	2,139			1,986	2,139
Sales tax and surtax	339	271			339	271
Unrestricted state grants	1,070	1,022			1,070	1,022
Other revenue	46	34			46	34
Total revenues	<u>4,284</u>	<u>4,156</u>	<u>72</u>	<u>74</u>	<u>4,356</u>	<u>4,230</u>
Program expenses:						
Instruction	2,607	2,662			2,607	2,662
Student support	1,087	932			1,087	932
Non-instructional programs	9	7	72	76	81	83
Other expenses	219	273			219	273
Total expenses	<u>3,922</u>	<u>3,874</u>	<u>72</u>	<u>76</u>	<u>3,994</u>	<u>3,950</u>
 Increase (decrease) in net position	 362	 282	 -	 (2)	 362	 280
 Net position (deficit), beginning of year	 <u>1,362</u>	 <u>1,080</u>	 <u>(61)</u>	 <u>(59)</u>	 <u>1,301</u>	 <u>1,021</u>
 Net position (deficit), end of year	 <u>\$ 1,724</u>	 <u>\$ 1,362</u>	 <u>\$ (61)</u>	 <u>\$ (61)</u>	 <u>\$ 1,663</u>	 <u>\$ 1,301</u>

INDIVIDUAL FUND ANALYSIS

The North Winneshiek Community School District uses fund accounting on the modified accrual basis of accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Highlights

As the District completed the year, its governmental funds reported a combined fund balance of \$1,106,598, a \$368,571 increase of the 2016 fiscal year end balance of \$738,027.

- The general fund received more revenue during fiscal year 2017 through state resources. The general fund expenditures decreased in the instructional function and increased in support services function. In total, general fund expenditures increased by \$127,274. The ending fund balance showed an increase of \$19,232 to \$660,572.
- The management levy fund received more revenue during fiscal year 2017 through local property tax resources. The management levy fund expenditures increased in the instructional function and decreased in the support services function. In total, management levy expenditures increased by \$4,079. The ending fund balance showed an increase of \$223,145 to \$272,113.

Proprietary Fund Highlights

School nutrition fund net position decreased from (\$61,065) at June 30, 2016 to (\$61,222) at June 30, 2017, representing a decrease of approximately 0.26%. For fiscal year 2017, 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 requires approval of the budget on or before April 15 of each year. The budget document presents functional expenditures 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. There were no budget amendments during fiscal year 2017.

The District's total revenues were \$140,166 more than total budgeted revenues, a variance of 3.32%. Local tax revenue increased in fiscal year 2017 while there was a reduction in state and federal resources, with the net total amount received being more than originally anticipated.

Total expenditures were more 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, expenditures in the instruction and support services functional areas exceeded the amounts budgeted.

BUDGETARY HIGHLIGHTS (Continued)

The following chart shows the original and final budget for fiscal 2017 as well as the actual revenue and expenditures for the year:

Budgetary Comparison Schedule (Expressed in Thousands)				
	Actual Basis	Budget Amounts		
		Original/Final		Variance
Revenues:				
Local sources	\$ 2,667	\$ 2,324		\$ 343
State sources	1,543	1,748		(205)
Federal sources	147	145		2
Total revenues	\$ 4,357	\$ 4,217		\$ 140
Expenditures:				
Instruction	\$ 2,634	\$ 2,600		\$ (34)
Support services	1,137	1,083		(54)
Non-instructional programs	82	109		27
Other expenses	136	172		36
Total expenditures	\$ 3,989	\$ 3,964		\$ (25)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017, North Winneshiek Community School District had \$1,676,659 invested in a broad range of capital assets, including buildings, land and equipment for the governmental activities. For the enterprise funds, the District had \$2,635 invested in equipment in the school nutrition fund.

The District's governmental activities had depreciation expense of \$147,668 for fiscal year 2017 and total accumulated depreciation of \$2,815,804 as of June 30, 2017. 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 compensated absences and 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 decreased from fiscal year 2018 283.3 to fiscal year 2019 276.0, which is a net loss of 7.3 students.

The fiscal year 2018 regular program District cost is \$1,918,224. The District is eligible for the 1% budget guarantee of \$93,681. The regular combined program cost will be \$2,011,905. The fiscal year 2017 regular program District cost was \$1,991,985. The District saw a \$19,920 increase in regular program funding for the fiscal year 2018 school year.

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

2. Supplemental Weighting

North Winneshiek Community School District will receive supplemental weighting in the amount of 20,460 students for fiscal year 2018. The supplemental weighting provides additional general fund revenue for the District.

3. General Fund Balance

The fiscal year 2016 general fund balance was \$635,294. The fiscal year 2017 general fund balance was \$640,949. The balance increased by \$5,655.

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 fiscal year 2017, the District had a 17.7% 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 fiscal year 2016 \$159,274 to fiscal year 2017 \$69,198, which is a \$90,076 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 maximum authorized budget. For fiscal year 2017, the District's unspent balance ratio was 1.9%. (0-10.9% Acceptable, 11-20% Good, >20% Excellent)

6. Instructional Support

The District continues to have an instructional support levy that generates about \$170,670 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 7-12 sharing agreements with Decorah Community School District and the Mabel-Canton Independent School District 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 \$260,000 annually from the SAVE tax which provides direct property tax relief. The SAVE tax will expire in the year 2029.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 1,323,781	\$ 7,317	\$ 1,331,098
Receivables:			
Property tax:			
Delinquent	27,054		27,054
Succeeding year	1,701,725		1,701,725
Due from other governments	87,459		87,459
Inventories		3,068	3,068
Capital assets, non-depreciable	10,000		10,000
Capital assets, net of accumulated depreciation	1,666,659	2,635	1,669,294
Total assets	4,816,678	13,020	4,829,698
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	273,421	13,294	286,715
Total assets and deferred outflows of resources	\$ 5,090,099	\$ 26,314	\$ 5,116,413
LIABILITIES			
Accounts payable	\$ 206,194		\$ 206,194
Salaries and benefits payable	182,700	\$ 5,691	188,391
Interfund payable (receivable)	(57,198)	57,198	-
Long-term liabilities:			
Portion due within one year:			
Compensated absences	16,726		16,726
Early retirement	28,262		28,262
Portion due after one year:			
Early retirement	9,054		9,054
Net pension liability	1,015,754	19,376	1,035,130
Net OPEB liability	145,258		145,258
Total liabilities	1,546,750	82,265	1,629,015
DEFERRED INFLOWS OF RESOURCES			
Succeeding year property tax	1,701,725		1,701,725
Pension related deferred inflows	117,363	4,449	121,812
Unspent hot lunch proceeds		822	822
	1,819,088	5,271	1,824,359
NET POSITION			
Net investment in capital assets	1,676,659	2,635	1,679,294
Restricted for:			
Categorical funding	19,622		19,622
Management levy	272,113		272,113
Student activities	14,939		14,939
School infrastructure	141,308		141,308
Physical plant and equipment	17,666		17,666
Unrestricted (deficit)	(418,046)	(63,857)	(481,903)
Total net position (deficit)	1,724,261	(61,222)	1,663,039
Total liabilities, deferred inflows of resources and net position	\$ 5,090,099	\$ 26,314	\$ 5,116,413

See Notes to Financial Statements.

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NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Functions and Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants
Governmental activities:			
Instruction:			
Regular instruction	\$ 1,867,688	\$ 235,081	\$ 397,847
Special instruction	426,707	7,154	3,556
Other instruction	312,498	8,453	41,827
	<u>2,606,893</u>	<u>250,688</u>	<u>443,230</u>
Support services:			
Student services	47,360	16,243	
Instructional staff services	120,214		
Administration services	431,478		
Operation and maintenance plant services	201,052		
Transportation services	287,256	7,000	3,279
	<u>1,087,360</u>	<u>23,243</u>	<u>3,279</u>
Non-instructional	<u>9,373</u>		
Other:			
Facilities acquisition	6,921		
AEA flowthrough	122,811		122,811
Depreciation (unallocated)*	88,982		
	<u>218,714</u>	<u>-</u>	<u>122,811</u>
Total governmental activities	3,922,340	273,931	569,320
Business-type activities:			
Non-instructional programs:			
Nutrition services	72,540	26,663	45,720
Total	\$ 3,994,880	\$ 300,594	\$ 615,040
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			
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
\$ (1,234,760)		\$ (1,234,760)
(415,997)		(415,997)
(262,218)		(262,218)
(1,912,975)	\$ -	(1,912,975)
(31,117)		(31,117)
(120,214)		(120,214)
(431,478)		(431,478)
(201,052)		(201,052)
(276,977)		(276,977)
(1,060,838)	-	(1,060,838)
(9,373)		(9,373)
(6,921)		(6,921)
-		-
(88,982)		(88,982)
(95,903)	-	(95,903)
(3,079,089)	-	(3,079,089)
	(157)	(157)
(3,079,089)	(157)	(3,079,246)
1,637,271		1,637,271
300,226		300,226
49,044		49,044
338,562		338,562
1,069,607		1,069,607
3,283		3,283
43,328		43,328
3,441,321	-	3,441,321
362,232	(157)	362,075
1,362,029	(61,065)	1,300,964
\$ 1,724,261	\$ (61,222)	\$ 1,663,039

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General	Special Revenue Fund Management Levy	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and pooled investments:				
Other	\$ 929,574	\$ 267,867	\$ 126,340	\$ 1,323,781
Receivables:				
Property tax:				
Delinquent	22,114	4,246	694	27,054
Succeeding year	1,551,009	100,000	50,716	1,701,725
Due from other funds	57,198			57,198
Due from other governments	40,105		47,354	87,459
Total assets	\$ 2,600,000	\$ 372,113	\$ 225,104	\$ 3,197,217
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 205,719		\$ 475	\$ 206,194
Salaries and benefits payable	182,700			182,700
Total liabilities	388,419	\$ -	475	388,894
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,551,009	100,000	50,716	1,701,725
Total deferred inflows of resources	1,551,009	100,000	50,716	1,701,725
Fund balances:				
Restricted for:				
Categorical funding	19,622			19,622
Management levy		272,113		272,113
Student activities			14,939	14,939
School infrastructure			141,308	141,308
Physical plant and equipment			17,666	17,666
Unassigned	640,950			640,950
Total fund balances	660,572	272,113	173,913	1,106,598
Total liabilities, deferred inflows of resources and fund balances	\$ 2,600,000	\$ 372,113	\$ 225,104	\$ 3,197,217

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET POSITION

Total governmental fund balances		\$	1,106,598
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 \$ 2,815,804			1,676,659
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	\$	273,421	
Deferred inflows of resources		(117,363)	156,058
Some liabilities, including 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:			
Compensated absences		(16,726)	
Early retirement		(37,316)	
Net pension liability		(1,015,754)	
Net OPEB liability		(145,258)	(1,215,054)
Net position of governmental activities per Exhibit A		\$	<u>1,724,261</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, 2017

	General	Special Revenue Fund Management Levy	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local sources:				
Local property tax	\$ 1,690,947	\$ 300,226	\$ 49,044	\$ 2,040,217
Tuition	81,150	4,541		85,691
Other	212,709	889	300,425	514,023
State sources	1,542,736		145	1,542,881
Federal sources	101,497			101,497
Total revenues	3,629,039	305,656	349,614	4,284,309
EXPENDITURES				
Current:				
Instruction:				
Regular instruction	1,812,964	29,130	52,898	1,894,992
Special instruction	426,707			426,707
Other instruction	300,818		11,417	312,235
	2,540,489	29,130	64,315	2,633,934
Support services:				
Student services	45,442		1,918	47,360
Instructional staff services	80,988		39,226	120,214
Administration services	426,064		13,896	439,960
Operation and maintenance plant services	146,341	52,098	1,824	200,263
Transportation services	238,299	1,283	89,260	328,842
	937,134	53,381	146,124	1,136,639
Non-instructional	9,373			9,373
Facilities acquisition			12,981	12,981
AEA flowthrough	122,811			122,811
	122,811	-	12,981	135,792
Total expenditures	3,609,807	82,511	223,420	3,915,738
EXCESS OF REVENUES OVER EXPENDITURES	19,232	223,145	126,194	368,571
OTHER FINANCING SOURCES (USES)				
Operating transfers in	11,260		11,260	22,520
Operating transfers (out)	(11,260)		(11,260)	(22,520)
	-	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND FINANCING USES	19,232	223,145	126,194	368,571
FUND BALANCE, beginning of year	641,340	48,968	47,719	738,027
FUND BALANCE, end of year	\$ 660,572	\$ 272,113	\$ 173,913	\$ 1,106,598

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, 2017

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	\$	368,571
 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 current year, as follows:		
Depreciation	\$ (147,668)	
Capital outlays	<u>127,835</u>	(19,833)
 The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the statement of net position.		
		105,109
 Early retirement payments, pension and OPEB are expenditures in the governmental funds when paid, but reduce long-term liabilities in the statement of net position and affect the statement of activities as accrued, as follows:		
Compensated absences	(4,611)	
Early retirement	7,996	
Pension expense	(93,052)	
Other postemployment benefits	<u>(1,948)</u>	<u>(91,615)</u>
 Change in net position of governmental activities per Exhibit B	 \$	 <u><u>362,232</u></u>

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2017

	School Nutrition Fund
ASSETS	
CURRENT ASSETS	
Cash	\$ 7,317
Inventories	3,068
Total current assets	10,385
NONCURRENT ASSETS	
Furniture and equipment	97,095
Less accumulated depreciation	(94,460)
Total noncurrent assets	2,635
Total assets	13,020
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	13,294
Total assets and deferred outflows of resources	\$ 26,314
LIABILITIES	
CURRENT LIABILITIES	
Salaries and benefits payable	\$ 5,691
Due to other funds	57,198
Total current liabilities	62,889
NONCURRENT LIABILITIES	
Net pension liability	19,376
Total liabilities	82,265
DEFERRED INFLOWS OF RESOURCES	
Unspent hot lunch proceeds	822
Pension related deferred inflows	4,449
Total deferred inflows of resources	5,271
NET POSITION	
Net investment in capital assets	2,635
Unrestricted deficit	(63,857)
Total net position (deficit)	(61,222)
Total liabilities, deferred inflows of resources and net position	\$ 26,314

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, 2017

	School Nutrition Fund
OPERATING REVENUES	
Local sources:	
Charges for services	\$ 26,663
OPERATING EXPENSES	
Non-instructional programs:	
Food service operations:	
Salaries	38,932
Supplies	32,856
Depreciation	752
Total operating expenses	72,540
Operating loss	(45,877)
NONOPERATING REVENUES	
State sources	561
Federal sources	45,159
Total nonoperating revenues	45,720
Change in net position	(157)
Net position (deficit), beginning of year	(61,065)
Net position (deficit), end of year	\$ (61,222)

See Notes to Financial Statements.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2017

	<u>School Nutrition Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from sale of lunches and breakfasts	\$ 26,253
Cash received from miscellaneous operating activities	258
Cash payments paid on behalf of employees	(6,180)
Cash payments to employees for services	(35,379)
Cash payments to suppliers for goods and services	<u>(24,403)</u>
Net cash used in operating activities	<u>(39,451)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash payments to other funds	(5,842)
State grants and federal grants received	<u>39,234</u>
Net cash provided by noncapital financing activities	<u>33,392</u>
Net decrease in cash	(6,059)
CASH, beginning of year	<u>13,376</u>
CASH, end of year	<u>\$ 7,317</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (45,877)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	752
Commodities used	6,486
Increase in inventories	(420)
Increase in salaries payable	31
Increase in benefits payable	5
Increase in net pension liability	3,929
Increase in deferred outflows of resources	(4,712)
Increase in deferred inflows of resources	<u>355</u>
Net cash used in operating activities	<u>\$ (39,451)</u>
Non-cash, noncapital financing activities:	
During the year ended June 30, 2017, the District received commodities valued at \$6,486.	

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.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

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 of the 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 service.

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

b. Significant Accounting Policies (Continued)

Government-wide Financial Statements (Continued)

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

Fund Financial Statements

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The general fund and the special revenue management levy fund are the major governmental funds for the District. All remaining governmental funds are aggregated and reported as 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 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.

Special Revenue-Management Levy Fund

The special revenue-management levy fund is used to account for revenues derived from specific sources which are usually required by law or regulation to pay for insurance premiums for the District and the retirees' health insurance.

Proprietary Fund

Enterprise Fund

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

Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

b. Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash and Pooled Investments

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.

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 Fund Equity (Continued)

Property Tax Receivable

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current 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 to the County Auditor by April 15 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, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2016.

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, 2017, 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 when purchased or received.

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.

NOTES TO FINANCIAL STATEMENTS

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 Fund Equity (Continued)

Capital Assets (Continued)

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 applicable to a future year(s) which 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 District after the measurement date but before the end of the District's reporting period.

Salaries and Benefits Payable

Payroll and related expenditures 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, 2017 was used to calculate the salaries payable.

Long-term Liabilities

In the government-wide financial statements, 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 governmental management levy fund.

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 Fund Equity (Continued)

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, 2017. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension 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. The net pension liability attributable to the governmental activities will be paid primarily by the general fund.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which 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 receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments and unspent hot lunch proceeds.

Fund Equity

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

Restricted - 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 are imposed by law through constitutional provisions or enabling legislation.

Unassigned - is the remaining fund balance, which is not included in other spendable classifications.

NOTES TO FINANCIAL STATEMENTS

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 Fund Equity (Continued)

Net Position

Net investment in capital assets, consists of capital assets net of accumulated depreciation.

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. Enabling legislation did not result in any restricted net position. Restricted net position is used first when an expense is incurred for purposes for both restricted and unrestricted net positions.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2017, expenditures exceeded the amounts budgeted in the instruction and support services functions.

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. Cash and Pooled Investments

The District's deposits in banks at June 30, 2017 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 ensure 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; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2017, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) as follows:

	<u>Amortized Cost</u>
Diversified portfolio	<u>\$ 746,945</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments.

NOTES TO FINANCIAL STATEMENTS

2. Cash and Pooled Investments (Continued)

Credit Risk

The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Services.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2017:

Governmental:		
General fund:		
Title I	\$	9,169
Early intervention		13,761
Other		17,175
		40,105
Capital project fund:		
Statewide sales, services and use tax		47,354
		87,459
	\$	87,459

4. Capital Assets

Capital assets activity for the year ended June 30, 2017 is as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Governmental activities:				
Land	\$ 10,000	\$ None	\$ None	\$ 10,000
Capital assets being depreciated:				
Improvements	726,284	None	None	726,284
Buildings	2,002,661	None	None	2,002,661
Furniture and equipment	1,723,718	127,835	98,035	1,753,518
Total capital assets being depreciated	4,452,663	127,835	98,035	4,482,463
Less accumulated depreciation for:				
Improvements	405,473	29,947	None	435,420
Buildings	1,311,627	40,065	None	1,351,692
Furniture and equipment	1,049,071	77,656	98,035	1,028,692
Total accumulated depreciation	2,766,171	147,668	98,035	2,815,804
Total capital assets being depreciated, net	1,686,492	(19,833)	None	1,666,659
Governmental activities:				
Capital assets	\$ 1,696,492	\$ (19,833)	\$ None	\$ 1,676,659
Business-type activities:				
Furniture and equipment	\$ 97,095	\$ None	\$ None	\$ 97,095
Less accumulated depreciation	93,708	752	None	94,460
Business-type activities:				
Capital assets, net	\$ 3,387	\$ (752)	\$ None	\$ 2,635

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	\$ 6,525
Support services:	
Student support services	3,790
Operation and maintenance	697
Transportation	47,674
	58,686
Unallocated	88,982
Total depreciation expense:	
Governmental activities	\$ 147,668
Business-type activities:	
Food services	\$ 752

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

As of June 30, 2017, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 57,198	
Nutrition-enterprise fund		\$ 57,198
Total	\$ 57,198	\$ 57,198

6. **Long-term Obligations**

Long-term liability activity for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
Other liabilities:					
Compensated absences	\$ 12,115	\$ 16,726	\$ 12,115	\$ 16,726	\$ 16,726
Early retirement	45,312	19,591	27,587	37,316	28,262
Governmental activities:					
Long-term liabilities	\$ 57,427	\$ 36,317	\$ 39,702	\$ 54,042	\$ 44,988

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.

At June 30, 2017, the District has obligations to six participants with a total liability of \$37,316. Actual early retirement expenditures for the year ended June 30, 2017 totaled \$27,587.

7. 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 the 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.

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, any time 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, except members with service before June 30, 2012 will use the highest three-year average salary as of that date 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% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month 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

Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires 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.

NOTES TO FINANCIAL STATEMENTS

7. **Pension Plan (Continued)**

Contributions (Continued)

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll, for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2017 totaled \$107,769.

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

At June 30, 2017, the District reported a liability of \$1,035,130 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the District's proportion was 0.016448%, which was a decrease of 0.001323% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$95,436. At June 30, 2017, 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	\$ 9,149	\$ 12,354
Changes of assumptions	15,793	
Net difference between projected and actual earnings on IPERS' investments	147,473	
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	6,531	109,458
District contributions subsequent to the measurement date	107,769	
Total	\$ 286,715	\$ 121,812

\$107,769 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 ending June 30, 2018. 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 Ending June 30,	
2018	\$ (7,350)
2019	(7,350)
2020	48,422
2021	27,691
2022	(4,279)
Total	\$ 57,134

There were no non-employer contributing entities to IPERS.

NOTES TO FINANCIAL STATEMENTS

7. Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as follows:

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.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 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 IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
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 employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. 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 1% lower (6.50%) or 1% 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	\$ 1,674,701	\$ 1,035,130	\$ 495,325

IPERS' Fiduciary Net Position

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

Payables to IPERS

At June 30, 2017, the District had no payables to report for the defined benefit pension plan for legally required District contributions and legally required employee contributions, which had been withheld from employee wages but not yet remitted to IPERS.

8. Other Postemployment Benefits (OPEB)

Plan Description

As explained in Note 9, 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 25 active and 2 retired members 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.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 16,825
Interest on net OPEB obligation	3,583
Adjustment to annual required contribution	<u>(14,852)</u>
Annual OPEB cost	5,556
Contributions made	<u>(3,608)</u>
Increase in net OPEB obligation	1,948
Net OPEB obligation beginning of year	<u>143,310</u>
Net OPEB obligation end of year	<u>\$ 145,258</u>

8. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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, 2017.

For the year ended June 30, 2017, the District contributed \$3,608 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 as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 13,096	10.45%	\$ 131,200
June 30, 2016	12,110	0.00%	143,310
June 30, 2017	5,556	64.94%	145,258

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$54,214, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$54,214. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1.051 million and the ratio of the UAAL to covered payroll was 5.1%. As of June 30, 2017, 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.

As of the July 1, 2016 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, 2014 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2014.

8. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions (Continued)

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.

9. 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 \$6,000 for single coverage and \$1,000 and \$12,000 for family coverage,
- Plan 2-between \$1,000 and \$6,850 for single coverage and \$2,000 and \$13,700 for family coverage,
- Plan 3-between \$2,000 and \$6,000 for single coverage and \$4,000 and \$12,000 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, 2017, 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, 2017 was unavailable as of November 13, 2017. The District's contributions to the trust for the years ended June 30, 2017, 2016, and 2015 were \$228,434, \$250,981, and \$249,054, respectively, which equaled the required contributions each year. The employees paid \$3,224 in dental insurance for the year ended June 30, 2017.

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, 2017, no liability has been recorded in the District's financial statements. As of June 30, 2017, settled claims have not exceeded the risk pool or reinsurance company coverage.

10. 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.

11. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$122,811 for the year ended June 30, 2017 and is recorded in the general fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTES TO FINANCIAL STATEMENTS

12. 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 expired June 30, 2017. A new agreement was entered into on November 14, 2016 to include grades 7 and 8. This agreement is in effect for the years 2017-2018, 2018-2019, and shall be terminated on June 30, 2019.

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, 2017 amount to \$12,191 and commitments to be reimbursed is \$None.

13. Contingencies

a. Grant Funding

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2017, 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 9, the District is contingently liable for any unreported claim or assessment in excess of their balance in the insurance pool.

14. Categorical Funding

The District's ending balance for categorical funding as of June 30, 2017 is as follows:

Project	Amount
Successful Progression for Early Readers	\$ 19,622

15. Net Position Deficits

The school nutrition proprietary fund has a deficit net position as of June 30, 2017. The deficit was 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* during the 2015 fiscal year. The District is 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.

16. Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Currently, the District has no tax abatements within the District's boundaries.

17. New Accounting Pronouncement

The District adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The notes to financial statements include information about tax abatements of other entities which impact the District.

18. New Governmental Accounting Standards Board (GASB) Standards

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015, will be effective for the fiscal year ended June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the statement of net position is expected to include a significant liability for the government's other postemployment benefits.

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the fiscal year ended June 30, 2020. The Statement increases the usefulness of governments' financial statement by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

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

19. Subsequent Events

In February 2018, there will be an election in regards to a merger with Decorah Community School District starting fiscal year 2020.

Management has evaluated subsequent events through November 13, 2017 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, 2017

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budget Amounts Original/Final	Final to Actual Variance- Positive (Negative)
REVENUES					
Local sources	\$ 2,639,931	\$ 26,663	\$ 2,666,594	\$ 2,324,102	\$ 342,492
State sources	1,542,881	561	1,543,442	1,747,621	(204,179)
Federal sources	101,497	45,159	146,656	144,803	1,853
Total revenues	4,284,309	72,383	4,356,692	4,216,526	140,166
EXPENDITURES/EXPENSES					
Instruction	2,633,934		2,633,934	2,600,000	(33,934)
Support services	1,136,639		1,136,639	1,083,000	(53,639)
Non-instructional	9,373	72,540	81,913	109,000	27,087
Other	135,792		135,792	171,606	35,814
Total expenditures/expenses	3,915,738	72,540	3,988,278	3,963,606	(24,672)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	368,571	(157)	368,414	252,920	115,494
FUND BALANCE (deficit), beginning of year	738,027	(61,065)	676,962	789,204	(112,242)
FUND BALANCE (deficit), end of year	\$ 1,106,598	\$ (61,222)	\$ 1,045,376	\$ 1,042,124	\$ 3,252

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

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2017

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, 2017, expenditures in the instruction and support services functions 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
 For the Last Three Years*
 (In Thousands)

	2017	2016	2015
District's proportion of the net pension liability	0.016448%	0.017771%	0.019592%
District's proportionate share of the net pension liability	\$ 1,035	\$ 878	\$ 793
District's covered-employee payroll	\$ 1,176	\$ 1,220	\$ 1,310
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	88.01%	71.97%	60.53%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 108	\$ 105	\$ 109	\$ 117
Contributions in relation to the statutorily required contribution	<u>(108)</u>	<u>(105)</u>	<u>(109)</u>	<u>(117)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,209	\$ 1,176	\$ 1,220	\$ 1,310
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%

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

2013	2012	2011	2010	2009	2008
\$ 108	\$ 107	\$ 90	\$ 88	\$ 84	\$ 73
(108)	(107)	(90)	(88)	(84)	(73)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,245	\$ 1,326	\$ 1,295	\$ 1,324	\$ 1,322	\$ 1,207
8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2017

Changes of Benefit Terms

Legislation enacted in 2010 modified benefit terms for 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.

Legislative action in 2008 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.

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.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) 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.

See Independent Auditor's Report.

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

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%
2016	July 1, 2014	-	\$ 116	\$ 116	0.0%	\$ 1,019	11.4%
2017	July 1, 2016	-	\$ 54	\$ 54	0.0%	\$ 1,051	5.1%

See Note 8 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, 2017

	Special Revenue Fund <u>Student Activity</u>	Capital Project Funds	Total Nonmajor Funds
ASSETS			
Cash and pooled investments	\$ 14,939	\$ 111,401	\$ 126,340
Receivables:			
Property tax:			
Delinquent		694	694
Succeeding year		50,716	50,716
Due from other governments		47,354	47,354
Total assets	<u>\$ 14,939</u>	<u>\$ 210,165</u>	<u>\$ 225,104</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable		\$ 475	\$ 475
Total liabilities	<u>\$ -</u>	<u>475</u>	<u>475</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax		50,716	50,716
Total deferred inflows of resources	<u>-</u>	<u>50,716</u>	<u>50,716</u>
Fund balances:			
Restricted	14,939	158,974	173,913
Total fund balances	<u>14,939</u>	<u>158,974</u>	<u>173,913</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,939</u>	<u>\$ 210,165</u>	<u>\$ 225,104</u>

See Independent Auditor's Report.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2017

	Special Revenue Fund <u>Student Activity</u>	Capital Project Funds	Total Nonmajor Funds
REVENUES			
Local sources:			
Property taxes		\$ 49,044	\$ 49,044
Other	\$ 15,980	284,445	300,425
State sources		145	145
Total revenues	<u>15,980</u>	<u>333,634</u>	<u>349,614</u>
EXPENDITURES			
Current:			
Instruction:			
Regular instruction		52,898	52,898
Other instruction	11,417		11,417
Support services:			
Student services		1,918	1,918
Instructional staff services		39,226	39,226
Administrative services		13,896	13,896
Operation and maintenance plant services		1,824	1,824
Transportation services		89,260	89,260
Other:			
Facilities acquisition		12,981	12,981
Total expenditures	<u>11,417</u>	<u>212,003</u>	<u>223,420</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>4,563</u>	<u>121,631</u>	<u>126,194</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		11,260	11,260
Transfers (out)		(11,260)	(11,260)
	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND FINANCING USES	<u>4,563</u>	<u>121,631</u>	<u>126,194</u>
FUND BALANCE, beginning of year	<u>10,376</u>	<u>37,343</u>	<u>47,719</u>
FUND BALANCE, end of year	<u>\$ 14,939</u>	<u>\$ 158,974</u>	<u>\$ 173,913</u>

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, 2017

	Balance June 30, 2016	Revenues	Expenditures	Balance June 30, 2017
Staff Activity	\$ 827	\$ 692	\$ 776	\$ 743
Yearbook	2,833	1,115	1,155	2,793
Elementary Student Council	712			712
Middle Student Council	491	808	1,018	281
Clearing		386	386	-
Miscellaneous Student Activity	2,578	10,999	7,467	6,110
Box Tops/Milk Caps	1,745	363	8	2,100
Fifth Grade	763			763
Food and Fitness	427	1,617	607	1,437
	<u>\$ 10,376</u>	<u>\$ 15,980</u>	<u>\$ 11,417</u>	<u>\$ 14,939</u>

See Independent Auditor's Report.

NORTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECT FUNDS
 June 30, 2017

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total Nonmajor Capital Project Funds
ASSETS			
Cash and pooled investments	\$ 93,954	\$ 17,447	\$ 111,401
Receivables:			
Property tax:			
Delinquent		694	694
Succeeding year		50,716	50,716
Due from other governments	47,354		47,354
Total assets	\$ 141,308	\$ 68,857	\$ 210,165
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable		\$ 475	\$ 475
Total liabilities	\$ -	475	475
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax		50,716	50,716
Total deferred inflows of resources	-	50,716	50,716
Fund balances:			
Restricted	141,308	17,666	158,974
Total liabilities, deferred inflows of resources and fund balances	\$ 141,308	\$ 68,857	\$ 210,165

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, 2017

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total Nonmajor Capital Project Funds
REVENUES			
Local sources:			
Local property tax		\$ 49,044	\$ 49,044
Other	\$ 284,412	33	284,445
State sources		145	145
Total revenues	284,412	49,222	333,634
EXPENDITURES			
Current:			
Instruction:			
Regular instruction	29,178	23,720	52,898
Support services:			
Student services		1,918	1,918
Instructional staff services	34,201	5,025	39,226
Administration services		13,896	13,896
Operation and maintenance plant services		1,824	1,824
Transportation services	71,260	18,000	89,260
Other:			
Facilities acquisition	12,981		12,981
Total expenditures	147,620	64,383	212,003
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	136,792	(15,161)	121,631
OTHER FINANCING (USES)			
Operating transfers in	11,260		11,260
Operating transfers out	(11,260)		(11,260)
	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES	136,792	(15,161)	121,631
FUND BALANCE, beginning of year	4,516	32,827	37,343
FUND BALANCE, end of year	\$ 141,308	\$ 17,666	\$ 158,974

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,

	Modified Accrual			
	2017	2016	2015	2014
REVENUES				
Local sources:				
Local tax	\$ 2,040,217	\$ 2,139,698	\$ 2,056,641	\$ 1,874,799
Tuition	85,691	174,475	143,517	159,181
Other	514,023	371,890	378,334	346,862
State sources	1,542,881	1,396,922	1,517,920	1,587,839
Federal sources	101,497	89,080	94,215	109,471
Total revenues	\$ 4,284,309	\$ 4,172,065	\$ 4,190,627	\$ 4,078,152
EXPENDITURES				
Current:				
Instruction:				
Regular instruction	\$ 1,894,992	\$ 1,946,303	\$ 1,813,896	\$ 1,824,550
Special instruction	426,707	515,308	536,740	604,029
Other instruction	312,235	231,596	217,601	250,474
Support services:				
Student services	47,360	42,842	51,662	67,280
Instructional staff services	120,214	95,624	62,394	55,826
Administration services	439,960	320,626	364,666	333,319
Operation and maintenance plant services	200,263	190,629	292,102	320,431
Transportation services	328,842	232,051	275,155	274,165
Non-instructional	9,373	7,465	7,076	5,365
Other:				
Facilities acquisition	12,981	307,490	30,867	50,011
Long-term debt:				
Principal			96,904	96,623
Interest and fiscal charges			5,179	9,826
AEA flowthrough	122,811	122,969	123,570	121,067
Total expenditures	\$ 3,915,738	\$ 4,012,903	\$ 3,877,812	\$ 4,012,966

See Independent Auditor's Report.

SCHEDULE 6

Modified Accrual					
2013	2012	2011	2010	2009	2008
\$ 1,788,752	\$ 1,664,815	\$ 1,585,311	\$ 1,406,581	\$ 1,346,276	\$ 1,265,229
187,056	216,526	241,025	245,949	256,721	275,148
325,913	369,194	373,243	367,279	386,371	369,488
1,438,202	1,460,705	1,488,768	1,269,700	1,551,870	1,630,503
130,021	135,872	251,368	358,466	199,856	172,083
<u>\$ 3,869,944</u>	<u>\$ 3,847,112</u>	<u>\$ 3,939,715</u>	<u>\$ 3,647,975</u>	<u>\$ 3,741,094</u>	<u>\$ 3,712,451</u>
\$ 1,797,902	\$ 1,769,813	\$ 1,688,538	\$ 1,734,694	\$ 1,599,614	\$ 1,535,079
615,034	582,257	507,819	491,741	620,954	588,889
249,355	248,623	321,376	325,785	293,878	201,442
75,737	79,953	87,726	99,303	69,838	106,128
76,919	132,118	132,746	75,417	67,753	40,082
292,658	294,293	300,873	273,572	298,561	279,909
235,217	308,516	325,113	324,585	261,088	233,406
241,079	254,305	194,654	203,889	207,208	232,682
5,502	6,463	7,291	8,145	5,608	5,972
67,740	103,923	86,666	69,400	104,688	26,780
91,355	86,097	91,566	83,909	70,400	93,323
14,173	18,271	21,071	23,350	27,088	30,678
115,390	114,219	130,898	128,700	118,943	117,281
<u>\$ 3,878,061</u>	<u>\$ 3,998,851</u>	<u>\$ 3,896,337</u>	<u>\$ 3,842,490</u>	<u>\$ 3,745,621</u>	<u>\$ 3,491,651</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, 2017, and the related notes to the financial statements, which collectively comprise North Winneshiek Community School District's basic financial statements, and have issued our report thereon dated November 13, 2017.

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 District'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 have not been 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
November 13, 2017

MANAGEMENT LETTER

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

In planning and performing our audit of the basic financial statements of North Winneshiek Community School District for the year ended June 30, 2017, 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 November 13, 2017 contains our report on the District's internal control over financial reporting. This letter does not affect our report dated November 13, 2017, on the basic financial statements of the North Winneshiek Community School District. 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, 2017 exceeded the certified budget amounts in the instruction and 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, 2017.

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 ensure that the coverage is adequate for current operations.
6. Board Minutes
We noted no transactions requiring Board approval which had not been approved by the Board. We also noted no minutes and bills that had not been published as required.
7. Certified Enrollment
No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting
No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments
No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
10. Certified Annual Report
The Certified Annual Report (CAR) was certified timely to the Iowa Department of Education.
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, 2017, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	4,516
Statewide sales, services and use tax	\$	284,209	
Other local revenue		<u>203</u>	284,412
Expenditures/transfers out:			
School infrastructure:			
Equipment		84,241	
Whole grade sharing		29,178	
Other		<u>34,201</u>	147,620
Ending balance		\$	<u>141,308</u>

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

For the year ended June 30, 2017, the District reduced the following levies as a result of the moneys received under Chapters 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Physical plant and equipment levy	\$ 1.34	\$ <u>198,993</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 moneys 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.

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

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

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

Hacher, Nelson & Co., P.C.

Decorah, Iowa
November 13, 2017