

**SOUTH WINNESHIEK
COMMUNITY SCHOOL DISTRICT
CALMAR, IOWA**

FINANCIAL REPORT

JUNE 30, 2009

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SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION AND SCHOOL OFFICIALS

| Name | Title | Address | Term Expires |
|--|-----------|---------------------|-----------------|
| <u>Board of Education</u> (Before September 2008 Election) | | | |
| Allan Schmitt | President | Calmar, Iowa | September 2008 |
| Brad Hertges | Member | Ossian, Iowa | September 2011* |
| Robert Busch | Member | Fort Atkinson, Iowa | September 2011* |
| John Berger | Member | Calmar, Iowa | September 2008 |
| Pat Tekippe | Member | Fort Atkinson, Iowa | September 2008 |
| <u>Board of Education</u> (After September 2008 Election) | | | |
| Allan Schmitt | President | Calmar, Iowa | September 2009 |
| Brad Hertges | Member | Ossian, Iowa | September 2011 |
| Robert Busch | Member | Fort Atkinson, Iowa | September 2011 |
| Wendy Mihm-Herold | Member | Fort Atkinson, Iowa | September 2009 |
| Pat Tekippe | Member | Fort Atkinson, Iowa | September 2009 |

School Officials

Richard Janson – Superintendent
Kay Donlan – District Secretary/Treasurer

*Board term extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

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P.O. Box 507
Decorah, Iowa 52101
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Certified Public Accountants
And Business Consultants

www.hackernelson.com

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

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

**To the Board of Education
South Winneshiek Community School District
Calmar, Iowa**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Winneshiek Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of South Winneshiek Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The District has not taken a physical inventory of capital assets nor gathered the appropriate information needed for determining historical costs of capital assets that are reported in the governmental activities on the accompanying financial statements in the amount of \$7,953,759. The District also has not calculated the depreciation on the capital assets that are in service. Since there is not depreciation calculated or the appropriate information needed for determining historical costs of capital assets, we were unable to audit the capital assets and depreciation expense. Because we were unable to apply alternative auditing procedures to satisfy ourselves as to the historical cost of capital assets and depreciation, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial position of the governmental activities of South Winneshiek Community School District as of June 30, 2009, or the changes in financial position thereof for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the South Winneshiek Community School District as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2009, on our consideration of South Winneshiek Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on page 4 and pages 25 through 26, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
November 25, 2009

**SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
CALMAR, IOWA**

**Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2009**

Management of South Winneshiek Community School District provides this Management's Discussion and Analysis of South Winneshiek Community School District's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

FINANCIAL HIGHLIGHTS

In total, net assets increased by \$663,097. Net assets of governmental activities increased by \$636,783, which represented 7.51% increase from fiscal year 2008. Property taxes increased approximately \$181,306 in the general fund due to the reduction of property taxes being levied to the management fund and increase in the general fund. Local option sales tax increased \$43,808 and state grants decreased \$223,303. District program expenses were 1.3% or approximately \$86,435 more in 2009 than in 2008.

General fund revenues accounted for \$6,119,841 in revenue or 86.32% of all revenues. General fund expenditures accounted for \$5,773,208 in expenditures or 82.70% of all expenditures.

USING THE BASIC FINANCIAL STATEMENTS

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

The statement of net assets and statement of activities provide information about the activities of South 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 South Winneshiek Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds with all other non-major funds presented in total in a single column. For South Winneshiek Community School District, the general fund, management levy-special revenue fund, physical plant and equipment levy-special revenue fund and capital projects fund are the more significant funds.

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

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

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

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

The 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 assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds

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

The District's governmental funds include the general fund, special revenue funds, debt service fund, and capital projects fund.

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

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

Proprietary Funds

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following is a summary perspective of the statement of net assets of the District as a whole. The South Winneshiek Community School District's net assets at the end of fiscal year 2009 totaled \$9,174,120.

| | Condensed Statement of Net Assets | | | | | | |
|--|-----------------------------------|-----------------|-----------------------------|--------------|-----------------|-----------------|-------------------|
| | (Expressed in Thousands) | | | | | | |
| | Governmental Activities | | Business-type Activities | | Total | | Percent Change |
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | |
| Current and other assets | \$ 5,663 | \$ 5,366 | \$ 25 | \$ 46 | \$ 5,688 | \$ 5,412 | -4.85% |
| Capital assets | 7,558 | 8,045 | 20 | 24 | 7,578 | 8,069 | 6.48% |
| Total assets | 13,221 | 13,411 | 45 | 70 | 13,266 | 13,481 | |
| Long-term debt outstanding | 705 | 446 | - | - | 705 | 446 | -36.74% |
| Other liabilities | 4,251 | 3,853 | 9 | 8 | 4,260 | 3,861 | -9.37% |
| Total liabilities | 4,956 | 4,299 | 9 | 8 | 4,965 | 4,307 | |
| Net assets | | | | | | | |
| Invested in capital assets, net of related debt | 7,118 | 7,762 | 20 | 24 | 7,138 | 7,786 | 9.08% |
| Restricted | 18 | 20 | - | - | 18 | 20 | 11.11% |
| Unrestricted | 1,129 | 1,330 | 16 | 38 | 1,145 | 1,368 | 19.48% |
| Total net assets | \$ 8,265 | \$ 9,112 | \$ 36 | \$ 62 | \$ 8,301 | \$ 9,174 | |

The following analysis shows the change in net assets for the year ending June 30, 2009:

| | Changes in Net Assets (Expressed in Thousands) | | | | | | |
|---|---|----------|-----------------------------|--------|----------|----------|-------------------|
| | Governmental Activities | | Business-type Activities | | Total | | Percent Change |
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | |
| Revenues: | | | | | | | |
| Program revenue | | | | | | | |
| Charges for service | \$ 338 | \$ 448 | \$ 144 | \$ 165 | \$ 482 | \$ 613 | 27.18% |
| Operating grants | 939 | 1,047 | 106 | 116 | 1,045 | 1,163 | 11.29% |
| General revenue | | | | | | | |
| Property taxes | 2,229 | 2,410 | - | - | 2,229 | 2,410 | 8.12% |
| Sales tax and surtax | 656 | 700 | - | - | 656 | 700 | 6.71% |
| Unrestricted state grants | 2,640 | 2,417 | - | - | 2,640 | 2,417 | -8.45% |
| Unrestricted investment earnings | 111 | 60 | - | - | 111 | 60 | -45.95% |
| Gain (loss) on the sale of capital assets | - | 1 | - | - | - | 1 | 100.00% |
| Other revenue | 63 | 7 | - | 9 | 63 | 16 | -74.60% |
| Total revenues | 6,976 | 7,090 | 250 | 290 | 7,226 | 7,380 | |
| Program expenses: | | | | | | | |
| Instruction | 4,313 | 4,410 | - | - | 4,313 | 4,410 | 2.25% |
| Student support | 1,768 | 1,571 | - | - | 1,768 | 1,571 | -11.14% |
| Non-instructional programs | 1 | - | - | - | 1 | - | -100.00% |
| Other expenses | 285 | 472 | 254 | 264 | 539 | 736 | 36.55% |
| Total expenses | 6,367 | 6,453 | 254 | 264 | 6,621 | 6,717 | |
| Increase (decrease) in net assets | 609 | 637 | (4) | 26 | 605 | 663 | 9.59% |
| Net assets Beginning of Year, restated | 7,656 | 8,475 | 40 | 36 | 7,696 | 8,511 | 10.59% |
| Net assets End of Year | \$ 8,265 | \$ 9,112 | \$ 36 | \$ 62 | \$ 8,301 | \$ 9,174 | |

INDIVIDUAL FUND ANALYSIS

As the District completed the year, its governmental funds reported a combined fund balance of \$1,508,543, a \$100,205 increase of the 2008 fiscal year end balance of \$1,408,338.

- The general fund received more revenue during fiscal year 2009 through property taxes. The general fund expenditures increased for instruction by 2.25%, but decreased for support services 11.14%. The ending fund balance of \$558,797 showed an increase of \$347,583 from the prior year balance of \$211,214.
- The management levy fund balance decreased by \$151,450 for fiscal year 2009, primarily due to a reduction in the tax levy.
- The physical plant and equipment levy (PPEL) fund balance decreased \$117,618 during fiscal year 2009. The District increased spending from the PPEL fund to reduce expenditures in general fund as permitted by law.
- The capital projects fund balance increased due to increase in collection of local option sales tax and less spending for capital projects that took place during the fiscal year.

BUDGETARY HIGHLIGHTS

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

The amendment made during the 2009 fiscal year should have no impact on the 2010 fiscal year's budget.

The following chart shows the original and amended budget for fiscal 2009 as well as the actual revenue and expenditures for the year:

| Budgetary Comparison Schedule (Expressed in Thousands) | | | | | |
|---|-----------------|-----------------|-----------------|---------------|--|
| | Actual Basis | Budget Amounts | | Variance | |
| | | Original | Final | | |
| Revenues | | | | | |
| Local sources | \$ 3,780 | \$ 3,682 | \$ 3,682 | \$ 98 | |
| Intermediate sources | - | - | - | - | |
| State sources | 3,287 | 3,193 | 3,193 | 94 | |
| Federal sources | 304 | 297 | 297 | 7 | |
| Total revenues | \$ 7,371 | \$ 7,172 | \$ 7,172 | \$ 199 | |
| Expenditures | | | | | |
| Instruction | \$ 4,302 | \$ 4,205 | \$ 4,400 | \$ 98 | |
| Student support | 1,804 | 1,797 | 2,400 | 596 | |
| Non-instructional programs | 265 | 288 | 288 | 23 | |
| Other expenses | 874 | 1,093 | 1,093 | 219 | |
| Total expenditures | \$ 7,245 | \$ 7,383 | \$ 8,181 | \$ 936 | |

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2009, South Winneshiek Community School District had \$8,044,721 invested in a broad range of capital assets, including buildings, land and equipment for the governmental activities. For the enterprise funds, the District had \$23,802 invested in equipment in the school nutrition fund. The District is still in the process of recording all capital assets.

The District is still working on establishing the policy to calculate depreciation expense for the governmental activities. The District had depreciation expense of \$5,303 for fiscal year 2009 and total accumulated depreciation of \$98,942 as of June 30, 2009 for the business-type activities. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt

At year-end, the District had approximately \$445,707 in bonds and other debt compared to approximately \$705,162 last year. More detail is presented in Note 5 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt that districts can issue to 5 percent of the assessed value of all taxable property within the District's corporate limits. The District's outstanding general obligation debt is significantly below this \$8,633,265 limit.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- For fiscal year 2010, the District will have a 10% across the board cut from the State. The District has offered early retirement and expects enrollment to be up slightly to help offset these cuts.
- The District received a warning letter from the Department of Education for a projected negative unspent balance at FY2010 end.
- State set allowable growth for FY10 @ 4% but only funded 2%.
- In Spring 2009 the State had a 1.5% across the board cut and also eliminated Phase I.
- The District will pay a final bond payment of approximately \$237,000 in June 2010, which will leave the District debt free except for the \$5,000 General Obligation Serial Bond that has been outstanding since November 1, 1966.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of South Winneshiek Community School District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Office, South Winneshiek Community School District, 304 S Webster St, Calmar, IA 52132.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2009

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash and pooled investments | | | |
| Other | \$ 2,111,906 | \$ 40,791 | \$ 2,152,697 |
| ISCAP | 267,164 | | 267,164 |
| Receivables | | | |
| Property tax | | | |
| Delinquent | 50,685 | | 50,685 |
| Succeeding year | 2,592,112 | | 2,592,112 |
| Accounts | 87,407 | | 87,407 |
| Accrued interest-ISCAP | 33 | | 33 |
| Due from other governments | 257,044 | | 257,044 |
| Inventories | | 5,658 | 5,658 |
| Capital assets, non-depreciable | 90,962 | | 90,962 |
| Capital assets, net of accumulated depreciation | 7,953,759 | 23,802 | 7,977,561 |
| | <u>\$ 13,411,072</u> | <u>\$ 70,251</u> | <u>\$ 13,481,323</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 242,729 | \$ 150 | \$ 242,879 |
| Salaries and benefits payable | 573,136 | 7,563 | 580,699 |
| Accrued interest payable | 1,112 | | 1,112 |
| ISCAP accrued interest payable | 90 | | 90 |
| ISCAP unamortized bond premium | 5,091 | | 5,091 |
| Deferred revenue | | | |
| Succeeding year property tax | 2,592,112 | | 2,592,112 |
| Other | 176,513 | | 176,513 |
| ISCAP warrants payable | 263,000 | | 263,000 |
| Long-term liabilities | | | |
| Portion due within one year | | | |
| Bonds payable | 230,000 | | 230,000 |
| Lease payable | 52,523 | | 52,523 |
| Early retirement | 64,358 | | 64,358 |
| Portion due after one year | | | |
| Early retirement | 98,826 | | 98,826 |
| | <u>4,299,490</u> | <u>7,713</u> | <u>4,307,203</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 7,762,198 | 23,802 | 7,786,000 |
| Restricted for | | | |
| Debt service | 19,243 | | 19,243 |
| Unrestricted | 1,330,141 | 38,736 | 1,368,877 |
| | <u>9,111,582</u> | <u>62,538</u> | <u>9,174,120</u> |
| | <u>\$ 13,411,072</u> | <u>\$ 70,251</u> | <u>\$ 13,481,323</u> |

See Notes to Financial Statements.

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SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
June 30, 2009

| Functions and Programs | Expenses | Program Revenues | |
|--|---------------------|-------------------------|---------------------|
| | | Charges for Services | Operating Grants |
| Governmental activities | | | |
| Instruction | | | |
| Regular instruction | \$ 2,748,118 | \$ 147,300 | \$ 573,212 |
| Special instruction | 865,792 | 26,616 | 129,520 |
| Other instruction | 795,982 | 14,669 | 5,329 |
| | <u>4,409,892</u> | <u>188,585</u> | <u>708,061</u> |
| Support services | | | |
| Student services | 147,448 | 225,757 | |
| Instructional staff services | 111,680 | | |
| Administration services | 608,015 | | |
| Operation and maintenance plant services | 408,970 | | |
| Transportation services | 294,835 | 2,106 | 82,443 |
| | <u>1,570,948</u> | <u>227,863</u> | <u>82,443</u> |
| Non-instructional | | | |
| | <u>351</u> | <u>32,030</u> | |
| Other | | | |
| Long-term debt interest | 21,781 | | |
| Facilities acquisition | 185,004 | | |
| AEA flowthrough | 256,218 | | 256,218 |
| | <u>463,003</u> | | <u>256,218</u> |
| Total governmental activities | 6,444,194 | 448,478 | 1,046,722 |
| Business-type activities | | | |
| Non-instructional programs | | | |
| Nutrition services | 264,385 | 165,454 | 115,625 |
| Total | \$ 6,708,579 | \$ 613,932 | \$ 1,162,347 |
| General revenues | | | |
| Property taxes levied for | | | |
| General purposes | | | |
| Management | | | |
| PPEL | | | |
| Debt service | | | |
| Local option sales tax and surtax | | | |
| Unrestricted state grants | | | |
| Unrestricted investment earnings | | | |
| Gain on the sale of capital assets | | | |
| Transfer in/out | | | |
| Other | | | |
| Total general revenues | | | |
| Change in net assets | | | |
| Net assets, beginning of year restated | | | |
| Net assets, end of year | | | |

See Notes to Financial Statements.

EXHIBIT B

| Net (Expense) Revenue and Changes in Net Assets | | |
|---|-----------------------------|---------------------|
| Governmental Activities | Business-type Activities | Total |
| \$ (2,027,606) | | \$ (2,027,606) |
| (709,656) | | (709,656) |
| (775,984) | | (775,984) |
| <u>(3,513,246)</u> | | <u>(3,513,246)</u> |
| 78,309 | | 78,309 |
| (111,680) | | (111,680) |
| (608,015) | | (608,015) |
| (408,970) | | (408,970) |
| (210,286) | | (210,286) |
| <u>(1,260,642)</u> | | <u>(1,260,642)</u> |
| 31,679 | | 31,679 |
| (21,781) | | (21,781) |
| (185,004) | | (185,004) |
| - | | - |
| <u>(206,785)</u> | - | <u>(206,785)</u> |
| (4,948,994) | | (4,948,994) |
| | \$ 16,694 | 16,694 |
| <u>(4,948,994)</u> | <u>16,694</u> | <u>(4,932,300)</u> |
| 2,310,889 | | 2,310,889 |
| - | | - |
| 99,428 | | 99,428 |
| - | | - |
| 699,970 | | 699,970 |
| 2,416,798 | | 2,416,798 |
| 59,898 | 270 | 60,168 |
| 950 | | 950 |
| (9,350) | 9,350 | - |
| 7,194 | | 7,194 |
| <u>5,585,777</u> | <u>9,620</u> | <u>5,595,397</u> |
| 636,783 | 26,314 | 663,097 |
| 8,474,799 | 36,224 | 8,511,023 |
| <u>\$ 9,111,582</u> | <u>\$ 62,538</u> | <u>\$ 9,174,120</u> |

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SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

| | General | Management Levy | Physical Plant and Equipment Levy |
|--|---------------------|--------------------|---|
| ASSETS | | | |
| Cash and pooled investments | | | |
| Other | \$ 1,170,146 | \$ 228,926 | \$ 57,370 |
| Investments - ISCAP | 267,164 | | |
| Receivables | | | |
| Property tax | | | |
| Delinquent | 48,645 | - | 2,040 |
| Succeeding year | 2,414,168 | 75,000 | 102,944 |
| Accounts | 8,538 | | |
| Accrued interest | | | |
| ISCAP | 33 | | |
| Due from other governments | 183,635 | | 73,364 |
| Total assets | \$ 4,092,329 | \$ 303,926 | \$ 235,718 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts payable | \$ 174,898 | \$ - | \$ 5,100 |
| Salaries and benefits payable | 573,136 | | |
| Interest payable | | | |
| ISCAP warrants payable | 263,000 | | |
| ISCAP accrued interest payable | 90 | | |
| ISCAP unamortized bond premium | 5,091 | | |
| Deferred revenue | | | |
| Succeeding year property tax | 2,414,168 | 75,000 | 102,944 |
| Other | 103,149 | | 73,364 |
| Bonds payable | | | |
| Total liabilities | 3,533,532 | 75,000 | 181,408 |
| Fund balances | | | |
| Reserved for | | | |
| Debt service | | | |
| Unreserved, reported in | | | |
| General fund | 558,797 | | |
| Special revenue funds | | 228,926 | 54,310 |
| Total fund balances | 558,797 | 228,926 | 54,310 |
| Total liabilities and fund balances | \$ 4,092,329 | \$ 303,926 | \$ 235,718 |

See Notes to Financial Statements.

EXHIBIT C

| Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---------------------|--------------------------------|--|
| \$ 578,528 | \$ 76,936 | \$ 2,111,906 267,164 |
| - | - | 50,685 |
| 78,869 | - | 2,592,112 87,407 |
| 45 | | 33 257,044 |
| <u>\$ 657,442</u> | <u>\$ 76,936</u> | <u>\$ 5,366,351</u> |
| \$ 62,731 | \$ - | \$ 242,729 573,136 137 263,000 90 5,091 |
| | 137 | |
| | - | 2,592,112 176,513 5,000 |
| <u>62,731</u> | <u>5,000</u> | <u>5,000</u> |
| | 15,218 | 15,218 |
| 594,711 | 56,581 | 558,797 934,528 |
| <u>594,711</u> | <u>71,799</u> | <u>1,508,543</u> |
| <u>\$ 657,442</u> | <u>\$ 76,936</u> | <u>\$ 5,366,351</u> |

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET ASSETS

| | |
|--|---------------------|
| Total governmental fund balances | \$ 1,508,543 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds, net of accumulated depreciation of \$ None | 8,044,721 |
| Other liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds | |
| Bonds payable | (225,000) |
| Lease payable | (52,523) |
| Accrued interest | (975) |
| Early retirement | (163,184) |
| Net assets of governmental activities per Exhibit A | <u>\$ 9,111,582</u> |

See Notes to Financial Statements.

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SOUTH WINNESHEIK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2009

| | General | Management Levy | Physical Plant and Equipment Levy |
|--|-------------------|--------------------|---|
| REVENUES | | | |
| Local sources | | | |
| Local property tax | \$ 2,310,889 | \$ - | \$ 99,428 |
| Tuition | 87,995 | | |
| Other | 247,485 | 10,230 | 81,209 |
| State sources | 3,282,023 | | - |
| Federal sources | 191,449 | | |
| Total revenues | 6,119,841 | 10,230 | 180,637 |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | | | |
| Regular instruction | 2,524,786 | 115,217 | |
| Special instruction | 865,792 | | |
| Other instruction | 573,505 | | |
| | <u>3,964,083</u> | <u>115,217</u> | |
| Support services | | | |
| Student services | 175,760 | 948 | |
| Instructional staff services | 94,431 | - | 125,997 |
| Administration services | 606,274 | 1,741 | - |
| Operation and maintenance plant services | 401,123 | 30,785 | |
| Transportation services | 275,319 | 12,638 | 78,875 |
| | <u>1,552,907</u> | <u>46,112</u> | <u>204,872</u> |
| Non-instructional | | <u>351</u> | |
| Other | | | |
| Long-term debt | | | |
| Principal | | | |
| Interest and fiscal charges | | | |
| Facilities acquisition | | | 84,033 |
| AEA flowthrough | 256,218 | | |
| | <u>256,218</u> | <u>-</u> | <u>84,033</u> |
| Total expenditures | 5,773,208 | 161,680 | 288,905 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 346,633 | (151,450) | (108,268) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | | | |
| Transfers (out) | | | (9,350) |
| Gain on sale of capital assets | 950 | | |
| | <u>950</u> | <u>-</u> | <u>(9,350)</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES | 347,583 | (151,450) | (117,618) |
| FUND BALANCE, beginning of year | 211,214 | 380,376 | 171,928 |
| FUND BALANCE, end of year | \$ 558,797 | \$ 228,926 | \$ 54,310 |

See Notes to Financial Statements.

EXHIBIT D

| Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---------------------|--------------------------------|--------------------------------|
| | \$ - | \$ 2,410,317 |
| | | 87,995 |
| \$ 551,831 | 225,756 | 1,116,511 |
| | 1,081 | 3,283,104 |
| | | 191,449 |
| <u>551,831</u> | <u>226,837</u> | <u>7,089,376</u> |
| | - | 2,640,003 |
| | | 865,792 |
| | 222,477 | 795,982 |
| | <u>222,477</u> | <u>4,301,777</u> |
| | - | 176,708 |
| | - | 220,428 |
| | - | 608,015 |
| | | 431,908 |
| | | 366,832 |
| | - | 1,803,891 |
| | - | 351 |
| | 210,000 | 210,000 |
| | 22,810 | 22,810 |
| 301,692 | - | 385,725 |
| | | 256,218 |
| <u>301,692</u> | <u>232,810</u> | <u>874,753</u> |
| <u>301,692</u> | <u>455,287</u> | <u>6,980,772</u> |
| <u>250,139</u> | <u>(228,450)</u> | <u>108,604</u> |
| | 232,410 | 232,410 |
| (232,410) | | (241,760) |
| | | 950 |
| <u>(232,410)</u> | <u>232,410</u> | <u>(8,400)</u> |
| 17,729 | 3,960 | 100,204 |
| <u>576,982</u> | <u>67,839</u> | <u>1,408,339</u> |
| <u>\$ 594,711</u> | <u>\$ 71,799</u> | <u>\$ 1,508,543</u> |

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

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 | \$ | 100,204 |
| | | |
| 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 assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period. | | |
| Capital outlays | | 328,619 |
| | | |
| Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. | | |
| | | 210,000 |
| | | |
| Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. | | |
| | | 1,029 |
| | | |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | |
| Lease payable | | 52,523 |
| | | |
| Early retirement payments are expenditures in governmental funds, but reduce long-term liabilities in the statement of net assets and do not affect the statement of activities. | | |
| | | (55,592) |
| | | |
| Change in net assets of governmental activities per Exhibit B | \$ | <u>636,783</u> |

See Notes to Financial Statements.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2009

| | School Nutrition Fund |
|---|-----------------------------|
| ASSETS | |
| CURRENT ASSETS | |
| Cash | \$ 40,791 |
| Inventories | 5,658 |
| Total current assets | 46,449 |
| NONCURRENT ASSETS | |
| Furniture and equipment | 122,744 |
| Less accumulated depreciation | (98,942) |
| Total noncurrent assets | 23,802 |
| Total assets | \$ 70,251 |
| LIABILITIES AND NET ASSETS | |
| CURRENT LIABILITIES | |
| Accounts payable | \$ 150 |
| Salaries and benefits payable | 7,563 |
| Total liabilities | 7,713 |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 23,802 |
| Unrestricted | 38,736 |
| Total net assets | 62,538 |
| Total liabilities and net assets | \$ 70,251 |

See Notes to Financial Statements.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
For the Year Ended June 30, 2009

| | School Nutrition Fund |
|-------------------------------|-----------------------------|
| OPERATING REVENUES | |
| Local sources | |
| Charges for services | \$ 165,454 |
| OPERATING EXPENSES | |
| Non-instructional programs | |
| Food service operations | |
| Salaries and benefits | 159,262 |
| Purchased services | 90,558 |
| Supplies | 9,262 |
| Depreciation | 5,303 |
| Total operating expenses | 264,385 |
| Operating loss | (98,931) |
| NONOPERATING REVENUES | |
| Interest on investments | 270 |
| Transfer in | 9,350 |
| State sources | 3,291 |
| Federal sources | 112,334 |
| Total nonoperating revenues | 125,245 |
| Change in net assets | 26,314 |
| Net assets, beginning of year | 36,224 |
| Net assets, end of year | \$ 62,538 |

See Notes to Financial Statements.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2009

| | School Nutrition Fund |
|--|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from sale of lunches and breakfasts | \$ 165,454 |
| Cash payments to employees for services | (160,421) |
| Cash payments to vendors for goods and services | (90,408) |
| Cash payments to suppliers for goods and services | (9,997) |
| | (95,372) |
| Net cash used in operating activities | (95,372) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| State and federal grants received | 115,625 |
| | 115,625 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Transfer in from other funds | 9,350 |
| Purchase of equipment | (9,350) |
| | - |
| Net cash used in capital and related financing activities | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest on investments | 270 |
| | 270 |
| Net increase in cash | 20,523 |
| CASH, beginning of year | 20,268 |
| CASH, end of year | \$ 40,791 |
| Reconciliation of operating loss to net cash used in operating activities | |
| Operating loss | \$ (98,931) |
| Adjustments to reconcile operating loss to net cash used in operating activities | |
| Depreciation | 5,303 |
| Increase in inventories | (735) |
| Increase in accounts payable | 150 |
| Decrease in salaries and benefits payable | (1,159) |
| | (95,372) |
| Net cash used in operating activities | \$ (95,372) |
| Non-cash, noncapital financing activities: | |
| During the year ended June 30, 2009, the District received commodities valued at \$21,110. | |

See Notes to Financial Statements.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

The South 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, including special education and pre-kindergarten. The geographic area served includes the Cities of Calmar, Ossian, and Spillville, Iowa, and the predominately agricultural territory in the area. It is supported financially by local property taxes, state aid and state and federal grants for special projects. The District is governed by a five-member Board of Education whose members are elected on a non-partisan basis. The District has taxing authority and fund raising capabilities of its own. Final approval of the District's annual program and budget plans rests with the local Board of Education.

b. Significant Accounting Policies

Scope of Reporting Entity

For financial reporting purposes, South Winneshiek Community School District has included all funds, organizations, account groups, 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.

Jointly Governed Organizations

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

District-wide Financial Statements

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

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

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

b. Significant Accounting Policies (Continued)

Fund Financial Statements

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The general fund, management levy-special revenue fund, physical, plant and equipment levy-special revenue fund, and the capital projects fund are the major governmental funds for the District. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The funds of the financial reporting entity are described below:

Governmental

General Fund

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

Management Levy-Special Revenue Fund

The management levy-special revenue 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 retiree's health insurance.

Physical Plant and Equipment Levy-Special Revenue Fund

The physical plant and equipment levy-special revenue fund is utilized to account for acquisition of equipment, with the exception of those that are financed through enterprise funds.

Capital Projects Fund

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

Proprietary Fund

Enterprise Fund

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

Measurement Focus

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

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

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

b. Significant Accounting Policies (Continued)

Measurement Focus (Continued)

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

- a. All governmental fund financial statements are accounted for on current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources." Governmental fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in fund balances. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.
- b. The proprietary funds are accounted for on economic resources measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their statement of net assets. In reporting the financial activity on the proprietary fund statements, the District applies all applicable GASB pronouncements. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the District has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

Basis of Accounting

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

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

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

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

b. Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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

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

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

Assets, Liabilities and Equity

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

Cash and Investments

The District maintains one primary demand deposit account for each fund through which the cash resources are processed. All investment activity is carried on by the District in each individual fund. Investments are stated at fair value, except for non-negotiable certificates of deposits, which are stated at cost.

Property Tax Receivable

Property tax, including tax increment financing, 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 that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents taxes collected by the County but not remitted to the school and unpaid taxes. 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 Board of Education 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Equity (Continued)

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. Inventories in the enterprise fund consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Capital assets in the proprietary fund are capitalized in the fund in which they are utilized. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$2,500 for governmental funds and \$500 for the school nutrition-proprietary fund. Management has not accumulated the information necessary to verify the historical cost of capital assets or determined the method or the estimated useful lives that the capital assets will be depreciated.

Salaries and Benefits Payable

Payroll and related expenditures or expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities. Also, wages for hourly employees earned in June and paid in July have been accrued as liabilities. The rate in effect at June 30, 2009 was used to calculate the salaries payable.

Deferred Revenue

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

Long-term Obligation

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Equity (Continued)

Compensated Absences

District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. In addition, employees are allowed to take early retirement if they meet certain qualifications set by the Board of Education. In accordance with Interpretation No. 6 of the GASB–Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, a liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities has been paid primarily by the general fund.

Fund Balance

In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Reserved fund balances are used first when an expenditure is incurred for purposes for both reserved and unreserved fund balances.

Net Assets

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

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

2. Deposits and Investments

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

NOTES TO FINANCIAL STATEMENTS

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2009:

| | | |
|----------------------------------|----|---------|
| Governmental | | |
| General fund | | |
| Transportation Aid, Non-public | \$ | 45,002 |
| Special Education Grant – Part B | | 16,307 |
| Income Surtax | | 73,364 |
| Vocational Aid, State | | 5,329 |
| Title I | | 43,633 |
| | | 183,635 |
| Capital Projects | | |
| LOST | | 45 |
| | | 45 |
| PPEL | | |
| Income Surtax | | 73,364 |
| | | 73,364 |
| Total intergovernmental | \$ | 257,044 |

4. Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

| | Balance June 30, 2008 | Additions | Deletions | Balance June 30, 2009 |
|----------------------------------|--------------------------|------------|-------------|--------------------------|
| Governmental activities | | | | |
| Land | \$ 90,962 | | | \$ 90,962 |
| Construction in progress | 24,526 | | \$ (24,526) | |
| | \$ 115,488 | \$ None | \$ (24,526) | \$ 90,962 |
| Capital assets being depreciated | | | | |
| Land improvements | \$ 192,582 | \$ 70,300 | | \$ 262,882 |
| Buildings | 5,142,455 | 150,147 | | 5,292,602 |
| Furniture and equipment | 2,265,577 | 132,698 | | 2,398,275 |
| | | | | |
| Governmental activities | | | | |
| Capital assets | \$ 7,600,614 | \$ 353,145 | \$ None | \$ 7,953,759 |
| Business-type activities | | | | |
| Furniture and equipment | \$ 113,394 | \$ 9,350 | | \$ 122,744 |
| Less accumulated depreciation | 93,639 | 5,303 | | 98,942 |
| | | | | |
| Business-type activities | | | | |
| Capital assets, net | \$ 19,755 | \$ 4,047 | \$ None | \$ 23,802 |

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

| | |
|--------------------------|-----------------|
| Business-type activities | |
| Food services | \$ <u>5,303</u> |

NOTES TO FINANCIAL STATEMENTS

5. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2009 was as follows:

| | Balance June 30, 2008 | Additions | Reductions | Balance June 30, 2009 | Amounts Due Within One Year |
|--------------------------------|--------------------------|------------|------------|--------------------------|-----------------------------------|
| Governmental activities | | | | | |
| Bonds | | | | | |
| General obligation | \$ 440,000 | | \$ 210,000 | \$ 230,000 | \$ 230,000 |
| Other liabilities | | | | | |
| Early retirement | 107,592 | \$ 117,834 | 62,242 | 163,184 | 64,358 |
| Lease payable | 105,046 | | 52,523 | 52,523 | 52,523 |
| <hr/> | | | | | |
| Governmental activities | | | | | |
| Long-term liabilities | \$ 652,638 | \$ 117,834 | \$ 324,765 | \$ 445,707 | \$ 346,881 |

a. Early Retirement

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

Early retirement benefits will be paid in three equal installments beginning in January following the start of retirement. The second payment will be paid the following July, and the third and final payment shall be paid during July of the next year.

At June 30, 2009, the District has obligations to four participants with a total liability of \$163,184. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$62,242.

b. Bonded Indebtedness

\$5,000 1959 General Obligation Serial Bonds, due November 1, 1966. The bonds and interest are included in the debt service fund liabilities since the bonds have matured.

\$435,000 1997A General Obligation Crossover Refunding Serial Bonds, due annually in varying installments June 1, 2009 through June 1, 2010 plus interest annually with interest rates of the bonds varying from 5.1% to 5.2%. Bonds maturing after June 1, 2007 are callable June 1, 2008 or at any interest payment date thereafter at par.

Interest costs incurred and charged to expenses was \$31,977 for the year ended June 30, 2009.

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

| Year ending June 30, | Principal | Interest |
|-------------------------|------------|-----------|
| 2010 | \$ 225,000 | \$ 11,700 |

NOTES TO FINANCIAL STATEMENTS

5. Long-term Debt Obligations (Continued)

b. Bonded Indebtedness (Continued)

At June 30, 2009, the debt issued by the District did not exceed its legal debt margin compiled as follows:

| | | |
|---|-----------|--------------------|
| Total assessed valuation | \$ | <u>172,665,293</u> |
| Debt limit – 5% of total assessed valuation | \$ | 8,633,265 |
| Debt applicable to debt limit | | |
| General obligation bonded debt outstanding | | <u>(230,000)</u> |
| Legal debt margin | \$ | <u>8,403,265</u> |

6. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

| | <u>Transfers In</u> | <u>Transfers Out</u> | |
|-----------------------|---------------------|----------------------|-----------|
| Capital projects fund | | \$ | 232,410 |
| PPEL fund | | | 9,350 |
| Enterprise fund | \$ | 9,350 | |
| Nonmajor governmental | 232,410 | | |
| | <u>\$</u> | <u>241,760</u> | <u>\$</u> |
| | | <u>241,760</u> | |

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

7. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

| Series | Warrant Date | Final Warrant Maturity | Investments | Accrued Interest Receivable | Warrants Payable | Accrued Interest Payable |
|----------|--------------|------------------------|-------------------|-----------------------------|-------------------|--------------------------|
| 2009-10A | 6/27/08 | 6/27/09 | <u>\$ 267,164</u> | <u>\$ 33</u> | <u>\$ 263,000</u> | <u>\$ 90</u> |

The District pledges its state foundation aid payments and general fund receipts as security for warrants issued. Repayments must be made when general fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its general fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the general fund for the year ended June 30, 2009 is shown below as follows.

NOTES TO FINANCIAL STATEMENTS

7. Iowa School Cash Anticipation Program (ISCAP) (Continued)

| Series | Balance Beginning of Year | Advances Received | Advances Repaid | Balance End of Year |
|----------|---------------------------------|----------------------|--------------------|---------------------------|
| 2008-09A | \$ - | \$ 240,000 | \$ 240,000 | \$ - |

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

| Series | Interest Rates On Warrants | Interest Rates On Investments |
|----------|-------------------------------|----------------------------------|
| 2008-09B | 3.00% | 2.110% |
| 2009-10A | 2.50% | 0.902% |

8. Pension and Retirement Benefits

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

Plan members are required to contribute 4.10%, 3.90%, and 3.70% of their annual covered salary and the District is required to contribute 6.35%, 6.05%, and 5.75% of annual covered payroll for the years ended June 30, 2009, 2008, and 2007 respectively. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$221,124, \$204,819, and \$187,040, respectively, equal to the required contributions for each year.

9. Cafeteria Plan

The District sponsors a Section 125 cafeteria plan as a part of its contractual obligation with its employees. The benefits available under the plan are health insurance. Each participating employee must carry single health coverage. Additionally, participants may elect salary reduction to cover family health insurance, non-covered medical and dental expenses and day care. There were 81 participants in the plan for the plan year ended December 31, 2008.

10. Risk Management

South 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 \$256,218 for the year ended June 30, 2009 and is recorded in the general fund by making a memorandum adjusting entry to the cash basis financial statements.

12. Other Postemployment Benefits (OPEB)

The District participates in the Northeast Iowa Schools Insurance Trust (Trust), a voluntary joint undertaking of twelve school districts, as authorized by Chapter 28E of the Code of Iowa. The primary purpose of the Trust is to provide medical, dental, life, disability, and welfare plan for its employees and their families. The trust was formed to create a pool to pay insurance costs. The agreement was effective July 1, 2005 and will continue in force until terminated by mutual agreement of the governing board. The trust is administered by Midwest Group Benefits Consultants, Inc.

12. Other Postemployment Benefits (OPEB) (Continued)

The Trust self-insures its health benefits and buys stop-loss insurance from IISI. Upon retirement, the retiree can continue his/her health coverage upon payment of the appropriate health premium based upon the District specific plan coverage in which South Winneshiek Community School District pays a premium of \$350 for each retired employee. For the year ended June 30, 2009 the District paid \$4,200 in health insurance for the retired employees and the retired employees paid \$18,228 for their health insurance. There are 1,322 active and 140 retired members in the Trust. Participants must be age 55 or older at retirement. The Trust issues a publicly available financial report that includes financial statements and required supplementary information for the Trust. That report may be obtained at the South Winneshiek Community School District's office located at 305 South Washington St., Calmar, IA 52132.

The 28E agreement provides that contribution requirements of the plan members and the participating employers are established and may be amended by the officials of the Trust. Plan members or beneficiaries receiving benefits contribute differing amounts per month for the active employee's required health insurance contributions depending on the District.

13. Employee Insurance Plan

Monthly payments of service fees and plan contributions are recorded as expenditures in the general fund at the time of payment to the trust account maintained by Midwest Group Benefits Consultants, Inc. The trust liability is limited to \$95,000 per individual annually with a \$2,000,000 per individual maximum. Payments from participating members are the sole source for paying claims and establishing reserves for the trust self-funded programs. Stop loss insurance is purchased by the trust to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. The District may be contingently liable for any claims in excess of funds available at June 30, 2009, 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, 2009 was unavailable as of November 25, 2009. The District contributions to the Trust for the years ended June 30, 2009, 2008, and 2007 were \$417,445, \$389,554 and \$365,832, respectively, which equaled the required contributions each year.

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, 2009, no liability has been recorded in the District's financial statements. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance company coverage.

14. Contingencies

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, 2009 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.

15. Commitments

The District has entered into contracts totaling \$87,061 for projectors in the classroom, a movable wall, and land purchased from NICC Apartments Property. Of these commitments, \$None will be funded by state and federal grants.

16. Restatement

Beginning net assets were restated due to correction of recording capital lease of \$157,570 and prior year payment of capital lease of \$52,523 in the governmental funds that were not reported in the prior year.

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SOUTH 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, 2009

| | Governmental Fund Types Actual | Proprietary Fund Type Actual | Total Actual |
|--|--------------------------------------|------------------------------------|---------------------|
| REVENUES | | | |
| Local sources | \$ 3,614,823 | \$ 165,454 | \$ 3,780,277 |
| State sources | 3,283,104 | 3,561 | 3,286,665 |
| Federal sources | 191,449 | 112,334 | 303,783 |
| Total revenues | 7,089,376 | 281,349 | 7,370,725 |
| EXPENDITURES/EXPENSES | | | |
| Instruction | 4,301,777 | | 4,301,777 |
| Support services | 1,803,891 | | 1,803,891 |
| Non-instructional | 351 | 264,385 | 264,736 |
| Other | 874,753 | | 874,753 |
| Total expenditures/expenses | 6,980,772 | 264,385 | 7,245,157 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES | 108,604 | 16,964 | 125,568 |
| OTHER FINANCING SOURCES, NET | (8,400) | 9,350 | 950 |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES/EXPENSES AND OTHER FINANCING USES | 100,204 | 26,314 | 126,518 |
| FUND BALANCE, beginning of year | 1,408,339 | 36,224 | 1,444,563 |
| FUND BALANCE, end of year | \$ 1,508,543 | \$ 62,538 | \$ 1,571,081 |

See Notes to Required Supplementary Information.

| Budget Amounts | | Final to Actual Variance- Positive (Negative) |
|---------------------|-------------------|--|
| Original | Final | |
| \$ 3,682,399 | \$ 3,682,399 | \$ 97,878 |
| 3,193,082 | 3,193,082 | 93,583 |
| 297,000 | 297,000 | 6,783 |
| <u>7,172,481</u> | <u>7,172,481</u> | <u>198,244</u> |
| 4,205,000 | 4,400,000 | 98,223 |
| 1,797,000 | 2,400,000 | 596,109 |
| 288,000 | 288,000 | 23,264 |
| <u>1,092,776</u> | <u>1,092,776</u> | <u>218,023</u> |
| <u>7,382,776</u> | <u>8,180,776</u> | <u>935,619</u> |
| (210,295) | (1,008,295) | 1,133,863 |
| - | - | 950 |
| (210,295) | (1,008,295) | 1,134,813 |
| <u>1,505,762</u> | <u>1,505,762</u> | <u>(61,199)</u> |
| <u>\$ 1,295,467</u> | <u>\$ 497,467</u> | <u>\$ 1,073,614</u> |

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2009

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the general fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$798,000.

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

**To the Board of Education
South Winneshiek Community School District
Calmar, Iowa**

Our report on our audit of the basic financial statements of South Winneshiek Community School District as of and for the year ended June 30, 2009 appears on pages 2-3. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects on the information on the governmental activities of the limited scope of our audit on capital assets as explained in the third paragraph of our report on page 2, such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We have previously audited, in accordance with U.S. generally accepted auditing standards, the basic financial statements of South Winneshiek Community School District as of and for the years ending June 30, 2008, 2007, 2006, 2005, 2004, 2003, and 2002 (none of which is presented herein). We did not express an opinion on the governmental activities because we were unable to audit the historical cost of capital assets and depreciation expense for the years ending June 30, 2008, 2007 and 2006. We expressed unqualified opinions on the business-type activities, each major fund, and the aggregate remaining fund information for the years ending June 30, 2008, 2007, 2006, 2005, 2004, 2003, and 2002. In our opinion, the information set forth in the required supplementary information for each of the years in the period ended June 30, 2008, appearing on pages 32 through 37, is fairly stated, in all material respects in relation to the basic and general purpose financial statements from which it has been derived. On pages 36 and 37 the spending authority and enrollment for fiscal year 2010 has not been audited and we express no opinion on it.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
November 25, 2009

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2009

| | Special Revenue Student Activity | Debt Service | Total Nonmajor Governmental Funds |
|--|-------------------------------------|------------------|---|
| ASSETS | | | |
| Cash and pooled investments | \$ 56,581 | \$ 20,355 | \$ 76,936 |
| Receivables | | | |
| Property tax | | | |
| Delinquent | | - | - |
| Succeeding year | | - | - |
| | | | |
| Total assets | \$ 56,581 | \$ 20,355 | \$ 76,936 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts payable | \$ - | | \$ - |
| Interest payable | | \$ 137 | 137 |
| Deferred revenue | | | |
| Succeeding year property tax | | - | - |
| Bonds payable | | 5,000 | 5,000 |
| | | | |
| Total liabilities | - | 5,137 | 5,137 |
| Fund balances | | | |
| Reserved for | | | |
| Debt service | | 15,218 | 15,218 |
| Unreserved | 56,581 | | 56,581 |
| | | | |
| Total fund balances | 56,581 | 15,218 | 71,799 |
| Total liabilities and fund balances | \$ 56,581 | \$ 20,355 | \$ 76,936 |

See Independent Auditor's Report on the Supplementary Information.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009

| | Special Revenue Student Activity | Debt Service | Total Nonmajor Governmental Funds |
|---|-------------------------------------|------------------|---|
| REVENUES | | | |
| Local sources | | | |
| Other | \$ 225,756 | \$ - | \$ 225,756 |
| State sources | | 1,081 | 1,081 |
| Total revenues | <u>225,756</u> | <u>1,081</u> | <u>226,837</u> |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | | | |
| Other instruction | 222,477 | | 222,477 |
| Other | | | |
| Long-term debt | | | |
| Principal | | 210,000 | 210,000 |
| Interest and fiscal charges | | 22,810 | 22,810 |
| Total expenditures | <u>222,477</u> | <u>232,810</u> | <u>455,287</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 3,279 | (231,729) | (228,450) |
| OTHER FINANCING SOURCES | | | |
| Transfers in | | 232,410 | 232,410 |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES | 3,279 | 681 | 3,960 |
| FUND BALANCE, beginning of year | <u>53,302</u> | <u>14,537</u> | <u>67,839</u> |
| FUND BALANCE, end of year | <u>\$ 56,581</u> | <u>\$ 15,218</u> | <u>\$ 71,799</u> |

See Independent Auditor's Report on the Supplementary Information.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 For the Year Ended June 30, 2009

| | Balance June 30, 2008 | Revenues and Transfer In | Expenditures | Balance June 30, 2009 |
|--------------------------------|--------------------------|-----------------------------|----------------|--------------------------|
| Spanish Club | \$ 112 | \$ - | \$ - | \$ 112 |
| May Term | (1,135) | 49,690 | 49,690 | (1,135) |
| German Club | 282 | | | 282 |
| Music, EI/MS | 186 | 115 | 28 | 273 |
| Music, Senior High | (8,819) | 4,157 | 8,279 | (12,941) |
| Other Fine Arts | (5,888) | - | 1,721 | (7,609) |
| National Honor Society | (491) | 55 | 271 | (707) |
| All Athletic | (1,046) | 7,411 | 3,695 | 2,670 |
| All Athletic II | 21,435 | - | - | 21,435 |
| Football | 17,802 | 14,203 | 7,023 | 24,982 |
| Cross Country | (3,548) | 3,218 | 3,993 | (4,323) |
| Volleyball | 821 | 4,488 | 4,241 | 1,068 |
| Boys' Basketball | 5,694 | 11,539 | 10,274 | 6,959 |
| Girls' Basketball | 2,581 | 3,749 | 3,300 | 3,030 |
| Wrestling | (538) | 8,059 | 10,188 | (2,667) |
| Boys' Track | (11,542) | 1,555 | 2,989 | (12,976) |
| Girls' Track | (16,462) | 1,035 | 2,220 | (17,647) |
| Boys' Golf | (1,837) | 11 | 327 | (2,153) |
| Girls' Golf | (3,320) | 11 | 327 | (3,636) |
| Baseball | (23,826) | 2,695 | 3,992 | (25,123) |
| Softball | (21,760) | 2,912 | 4,248 | (23,096) |
| Cheerleaders, Senior High | 1,497 | 5,931 | 2,242 | 5,186 |
| All Fine Arts | 3,334 | 521 | 162 | 3,693 |
| Art Senior High | 743 | 456 | 507 | 692 |
| Student Council, Middle School | 1,844 | 462 | 596 | 1,710 |
| Student Council, Senior High | 3,488 | 1,757 | 1,670 | 3,575 |
| Yearbook | 257 | 6,620 | 9,276 | (2,399) |
| Band, Senior High | (661) | 4,804 | 6,994 | (2,851) |
| Flag Corp. | (1,639) | 1,552 | 2,753 | (2,840) |
| Choir, Senior High | (4,420) | 3,070 | 82 | (1,432) |
| Drama/Musical | 12,721 | 4,345 | 3,728 | 13,338 |
| Speech Activity and Debate | (10,120) | 125 | 1,597 | (11,592) |
| Drama Club | 2,193 | 346 | 97 | 2,442 |
| Activity Fee | 30,035 | 5,321 | - | 35,356 |
| Interest | 2,382 | 457 | 429 | 2,410 |
| Playground | 5,721 | - | - | 5,721 |
| Sub-totals | (3,924) | 150,670 | 146,939 | (193) |

See Independent Auditor's Report on the Supplementary Information.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
For the Year Ended June 30, 2009

| | Balance June 30, 2008 | Revenues and Transfer In | Expenditures | Balance June 30, 2009 |
|---------------------------------|--------------------------|-----------------------------|-------------------|--------------------------|
| Sub-totals | \$ (3,924) | \$ 150,670 | \$ 146,939 | \$ (193) |
| Athletic Fee | 3,735 | - | - | 3,735 |
| Field Trips-Elem/MS | - | 11,073 | 10,018 | 1,055 |
| National Honor Society - CD | 4,457 | 53 | - | 4,510 |
| Elementary | 16,100 | 8,598 | 4,476 | 20,222 |
| Classroom Computers, Elementary | 644 | - | - | 644 |
| ECSP | 325 | - | - | 325 |
| Class of 2008 | (20) | 143 | - | 123 |
| Class of 2009 | 1,711 | 340 | 1,756 | 295 |
| Class of 2010 | 542 | 6,131 | 5,237 | 1,436 |
| Class of 2011 | (22) | 1,753 | 1,144 | 587 |
| Class of 2012 | - | - | 84 | (84) |
| Class of 2013 | - | - | - | - |
| Pictures, Senior High | 1,095 | - | - | 1,095 |
| Resale | (531) | 6,590 | 6,228 | (169) |
| Middle School Activity | 2,742 | 4,045 | 4,355 | 2,432 |
| FFA | 11,328 | 36,083 | 36,774 | 10,637 |
| Industrial Arts | 1,833 | 51 | 257 | 1,627 |
| FFA-Scotland | 11,396 | - | 4,983 | 6,413 |
| AAC Cub | 1,891 | - | - | 1,891 |
| | <u>\$ 53,302</u> | <u>\$ 225,530</u> | <u>\$ 222,251</u> | <u>\$ 56,581</u> |

See Independent Auditor's Report on the Supplementary Information.

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

| | 2009 | 2008 | 2007 |
|------------------------------|---------------------|---------------------|---------------------|
| REVENUES | | | |
| Local sources | | | |
| Local tax | \$ 2,410,317 | \$ 2,229,013 | \$ 2,117,458 |
| Tuition | 87,995 | 87,176 | 49,310 |
| Other | 1,116,511 | 1,068,364 | 1,103,752 |
| Intermediate sources | - | - | - |
| State sources | 3,283,104 | 3,376,138 | 3,056,643 |
| Federal sources | 191,449 | 215,061 | 190,094 |
| Total revenues | \$ 7,089,376 | \$ 6,975,752 | \$ 6,517,257 |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | | | |
| Regular instruction | \$ 2,640,003 | \$ 2,537,480 | \$ 2,379,497 |
| Special instruction | 865,792 | 798,829 | 805,116 |
| Other instruction | 795,982 | 770,761 | 664,674 |
| Support services | | | |
| Student services | 176,708 | 166,189 | 160,697 |
| Instructional staff services | 220,428 | 341,471 | 200,166 |
| Administration services | 608,015 | 586,557 | 554,575 |
| Maintenance plant services | 431,908 | 435,931 | 403,553 |
| Transportation services | 366,832 | 452,454 | 436,533 |
| Non-instructional | 351 | 1,440 | 1,336 |
| Other | | | |
| Long-term debt | | | |
| Principal | 210,000 | 200,000 | 190,000 |
| Interest and fiscal charges | 22,810 | 32,810 | 42,215 |
| Facilities acquisition | 385,725 | 138,102 | 405,870 |
| AEA flowthrough | 256,218 | 252,758 | 237,024 |
| Total expenditures | \$ 6,980,772 | \$ 6,714,782 | \$ 6,481,256 |

See Independent Auditor's Report on the Supplementary Information.

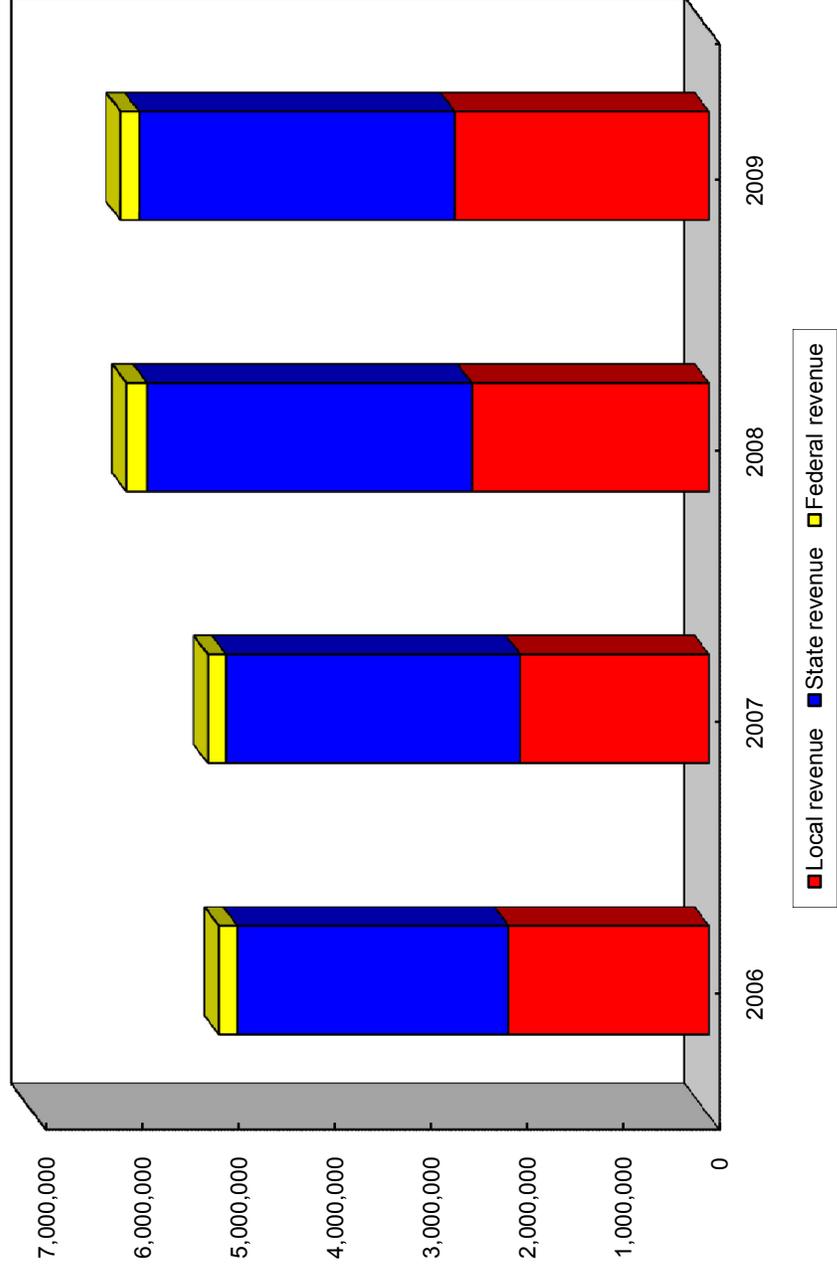
SCHEDULE 4

| Modified Accrual | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2006 | 2005 | 2004 | 2003 | 2002 |
| \$ 2,261,697 | \$ 2,165,155 | \$ 2,624,957 | \$ 2,551,566 | \$ 2,426,550 |
| 85,372 | 86,313 | 72,205 | 78,294 | 65,279 |
| 862,243 | 935,610 | 415,363 | 479,521 | 405,283 |
| - | - | 635 | 479 | - |
| 2,819,326 | 3,018,187 | 2,895,426 | 2,857,239 | 3,046,438 |
| 193,575 | 207,209 | 211,816 | 245,345 | 211,067 |
| <u>\$ 6,222,213</u> | <u>\$ 6,412,474</u> | <u>\$ 6,220,402</u> | <u>\$ 6,212,444</u> | <u>\$ 6,154,617</u> |
| | | | | |
| \$ 2,318,095 | \$ 2,380,779 | \$ 2,387,045 | \$ 2,364,247 | \$ 2,208,737 |
| 857,911 | 925,177 | 986,675 | 939,739 | 946,891 |
| 690,308 | 624,249 | 563,172 | 496,111 | 511,122 |
| | | | | |
| 159,134 | 193,362 | 185,279 | 175,818 | 156,603 |
| 273,605 | 128,768 | 56,296 | 72,804 | 87,847 |
| 537,257 | 478,798 | 453,030 | 470,238 | 471,726 |
| 410,736 | 333,633 | 321,882 | 309,575 | 320,701 |
| 393,980 | 295,955 | 259,046 | 349,731 | 269,225 |
| 1,326 | 4,179 | 5,360 | 2,494 | 2,367 |
| | | | | |
| 180,000 | 175,400 | 165,000 | 155,000 | 150,000 |
| 50,945 | 59,032 | 67,332 | 74,856 | 82,128 |
| 468,535 | 620,297 | 240,365 | 407,827 | 152,253 |
| 228,195 | 227,868 | 230,029 | 246,688 | 247,603 |
| <u>\$ 6,570,027</u> | <u>\$ 6,447,497</u> | <u>\$ 5,920,511</u> | <u>\$ 6,065,128</u> | <u>\$ 5,607,203</u> |

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
Comparison of General Fund Expenditures

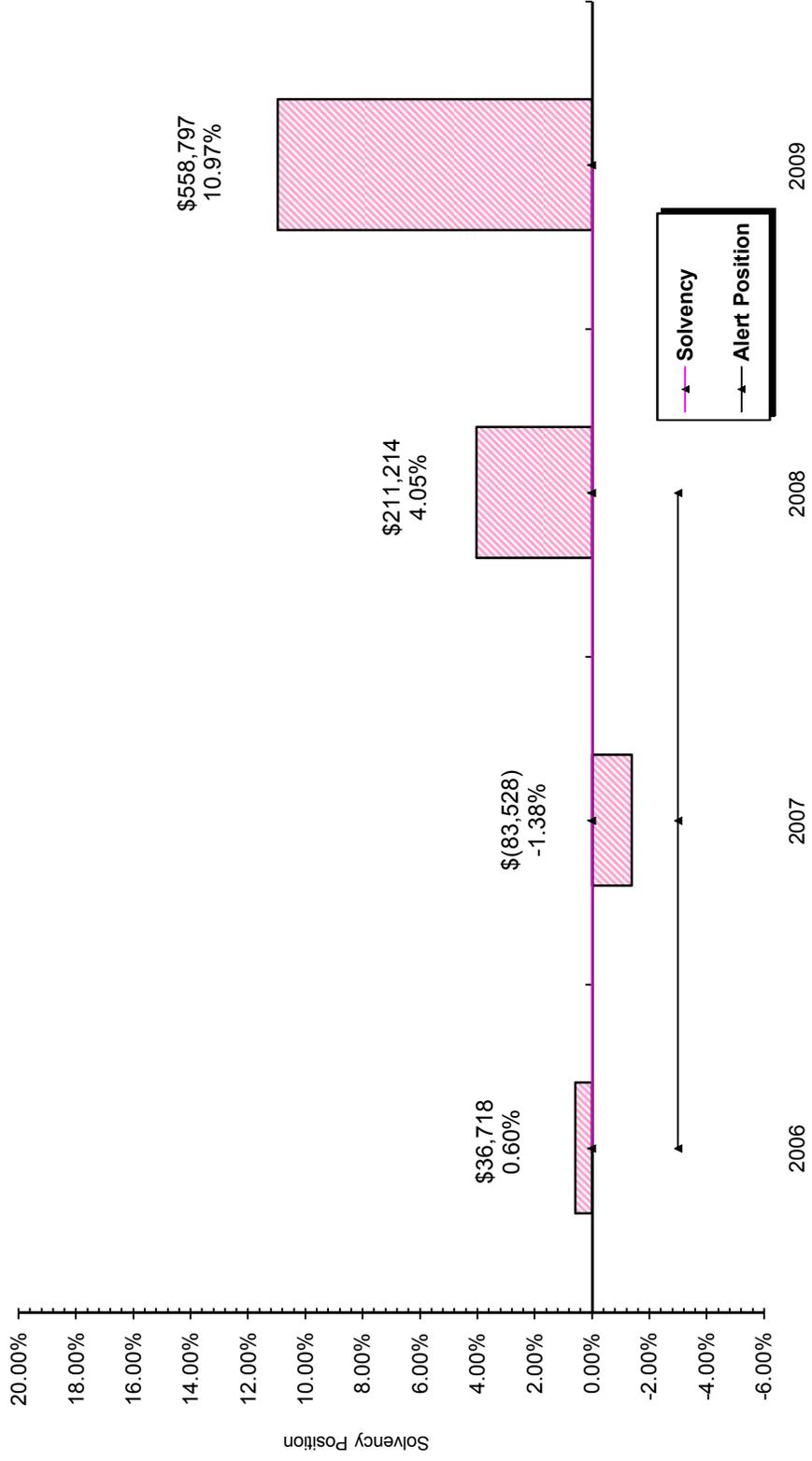


SOUTH WINESHIEK COMMUNITY SCHOOL DISTRICT
Comparison of General Fund Revenues



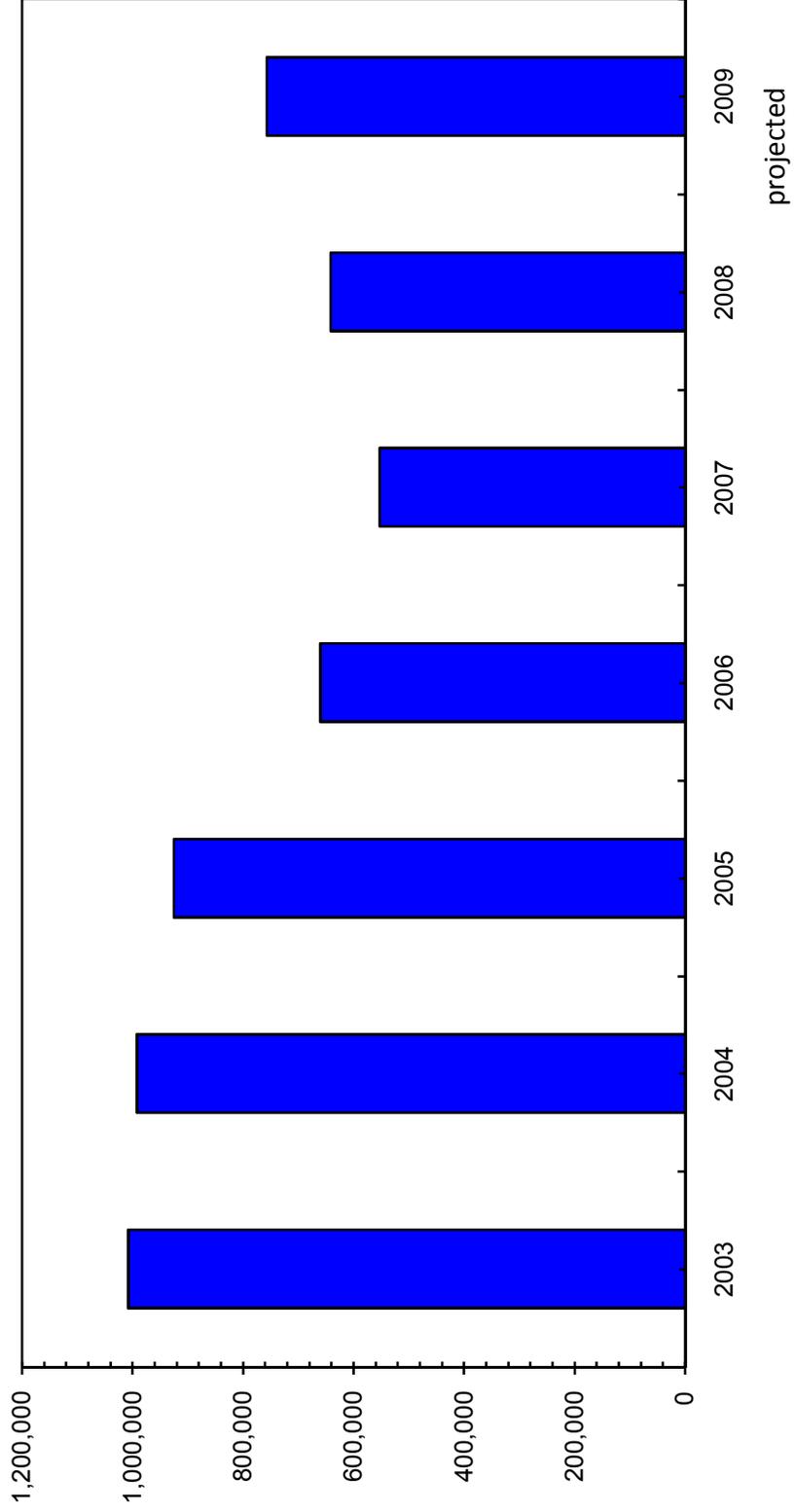
See Independent Auditor's Report on the Supplementary Information.

South Winneshek Community School District
General Fund Solvency Ratio

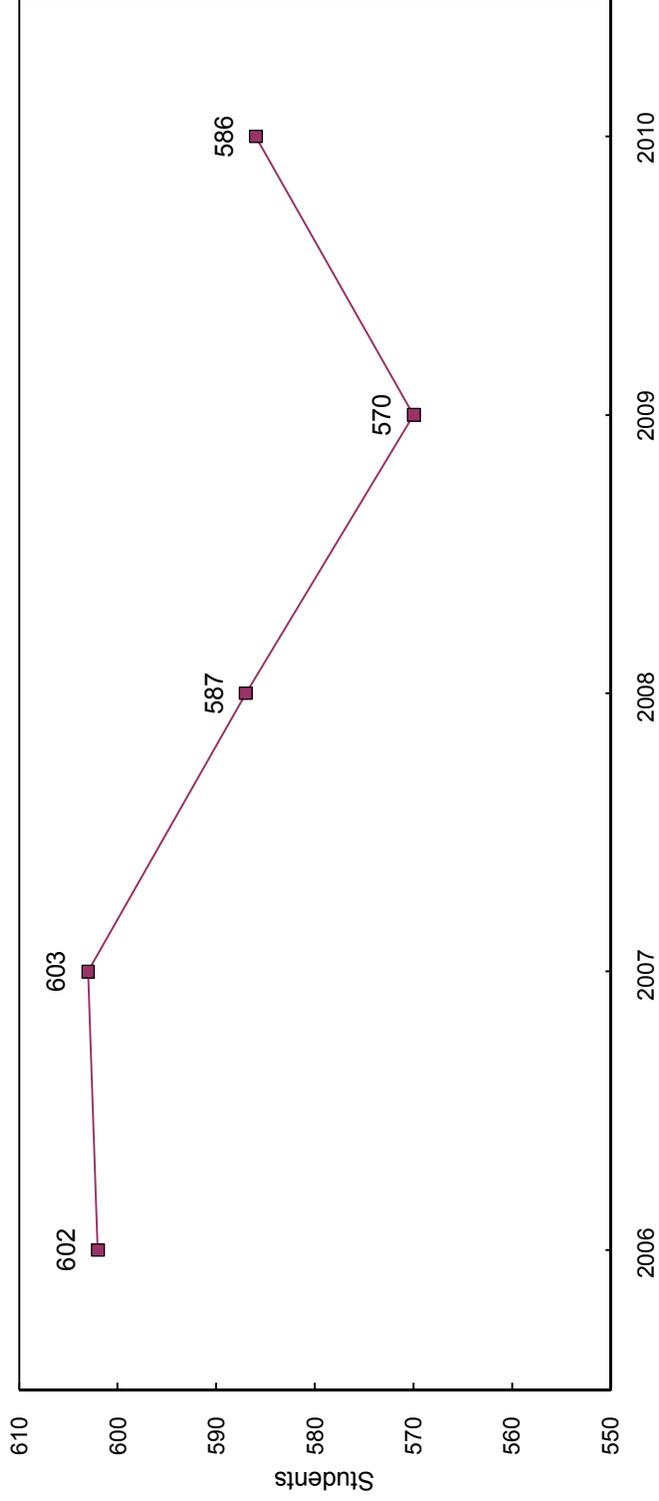


SCHEDULE 8

South Winneshiek Community School District
Spending Authority

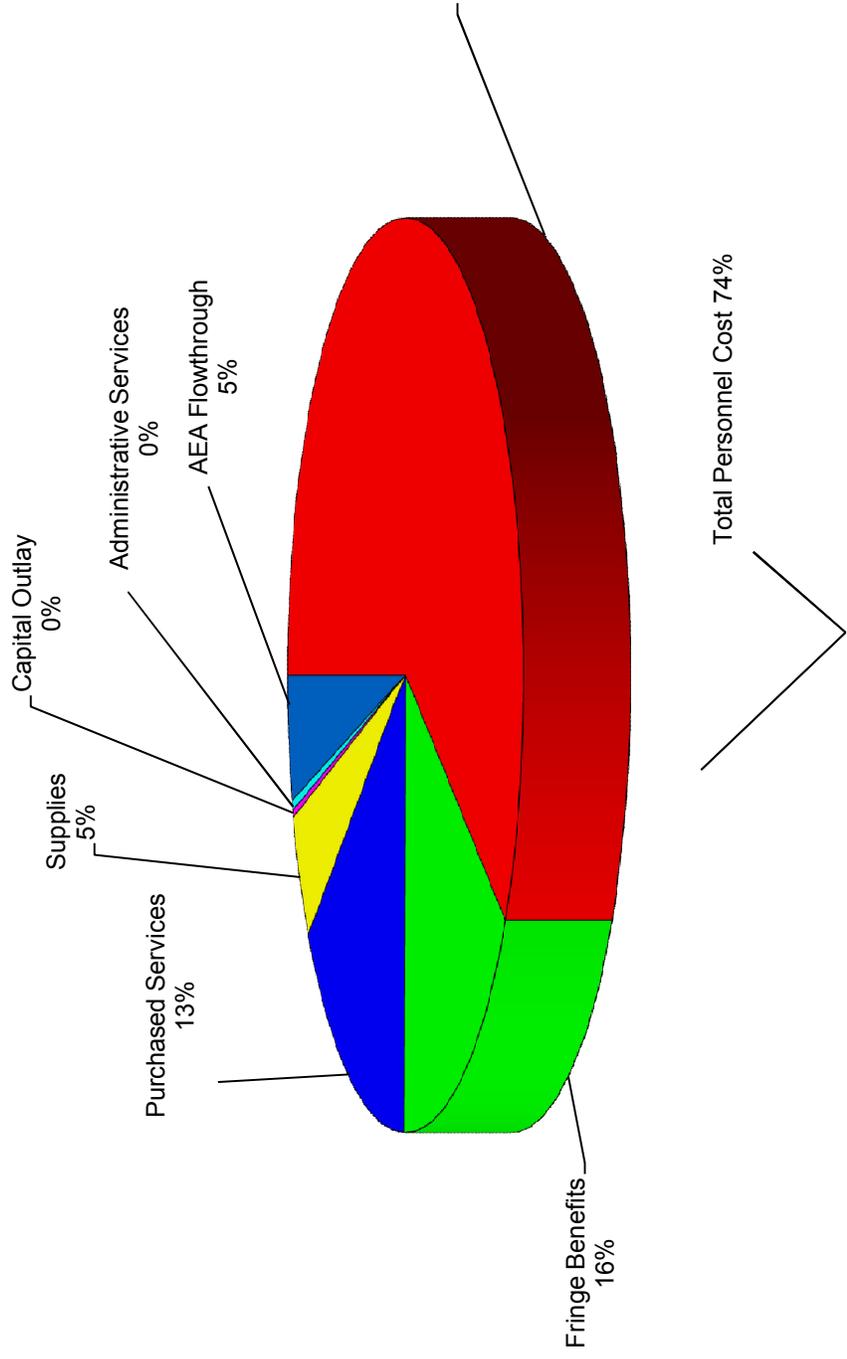


South Winneshiek Community School District
Student Enrollment Data



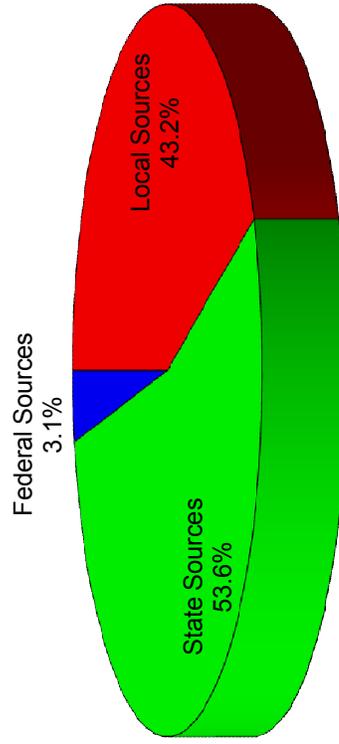
Resource: Total School Enrollment, Not Certified Enrollment, Line 11 of Certified Enrollment Form

**SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
General Fund Expenditure Analysis Year Ended June 30, 2009**



See Independent Auditor's Report on the Supplementary Information.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
General Fund Revenue Analysis Year Ended June 30, 2009



See Independent Auditor's Report on the Supplementary Information.

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

**To the Board of Education
South Winneshiek Community School District
Calmar, Iowa**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Winneshiek Community School District as of and for the year ended June 30, 2009, which collectively comprise South Winneshiek Community School District's basic financial statements and have issued our report thereon dated November 25, 2009. We did not express an opinion on the governmental activities because we were unable to audit the historical cost of capital assets and depreciation expense. Except as discussed in the preceding sentence, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the South Winneshiek Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the South Winneshiek Community School District's financial statements that is more than inconsequential will not be prevented or detected by the South Winneshiek Community School District's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

1. Financial Report Preparation

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

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

Response

Management is cognizant of this limitation.

Conclusion

Response acknowledged.

2. Overlapping Duties

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

Response

Management is cognizant of this limitation.

Conclusion

Response acknowledged.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the South Winneshiek Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of South Winneshiek Community School District in a separate letter dated November 25, 2009.

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

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

Hacher, Nelson & Co., P.C.

Decorah, Iowa
November 25, 2009

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MANAGEMENT LETTER

To the Board of Education
South Winneshiek Community School District
Calmar, Iowa

In planning and performing our audit of the financial statements of South Winneshiek Community School District for the year ended June 30, 2009, we considered the District's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the District's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 thru 12 below are compliance comments required by the Iowa Auditor of State. A separate report dated November 25, 2009 contains our report on significant deficiencies in the District's internal control. This letter does not affect our report dated November 25, 2009, on the financial statements of the South Winneshiek Community School District. Comment numbers 14, 15, and 16 are repeat comments from the prior year. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the District's responses and, accordingly, we express no opinion on them.

1. **Certified Budget**
The certified budget was amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
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, 2009.
5. **Bond Coverage**
Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. **Board Minutes**
We noted no transactions requiring Board approval, which had not been, approved by the Board. We also noted no minutes and bills that had not been published as required.

7. 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.
8. Certified Annual Report
The Certified Annual Report (CAR) was certified to the Iowa Department of Education timely.
9. Certified Enrollment
No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
10. Student Activity Fund
No instances of noncompliance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), for money in the Student Activity Fund which should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program were noted.
11. Categorical Funding
No instances were noted of categorical funding being used to supplant rather than supplement other funds. The School District only expended funds per Iowa Code 2560.2 for kindergarten through third grade to achieve higher level of student success in basic skills, especially reading.
12. Statewide Sales and Services Tax
No instances of noncompliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.
13. Cash-Student Activity
We noted the Student Activity cash report did not tie to the bank reconciliation. This was caused by some funds not being recorded in the District's software system.

Recommendation

We recommend that both reports are reconciled together.

Response and Corrective Action Planned

Both reports will be reconciled each month together.

Conclusion

Response accepted.

14. Property and Equipment Records
A partial record of the District's fixed assets is maintained on individual property journals. Property journal totals have not been reconciled to balance additions and deletions to the general ledger. We recommend that this procedure be implemented. In addition, to facilitate the proper insurance, maintenance and safeguarding of these assets, an inventory of all property and equipment should be taken at least once each year and checked against the capital assets records. The District also needs to calculate depreciation expense on the appropriate capital assets.

Recommendation

We recommend that management summarize its property records and record the results in the governmental activities.

Response and Corrective Action Planned

We are in the process of compiling the information.

Conclusion

Response accepted.

15. Disbursements
During our audit, we noticed various items that were not in compliance with District procedures. There were several invoices that were not cancelled after they had been paid. There were five checks that did not have appropriate supporting documentation or invoice to verify the amount charged to the program. After subsequent review it appeared all tested disbursements were appropriate expenditures of public funds.
- Recommendation
We recommend that the appropriate or designated person(s) review and authorize all invoices, supporting documents, as well as sign checks. Also all invoices should be marked paid at the time the checks are disbursed.
- Response and Corrective Action Planned
We will do better in the future to verify that all invoices and checks are in compliance with District procedure.
- Conclusion
Response accepted.
16. Inventory
During our audit, we noticed only full cases of food were being included in the inventory count of the school nutrition fund.
- Recommendation
We recommend taking a more accurate count of inventory by counting each item not just the full cases.
- Response and Corrective Action Planned
In the future, we will count all items in inventory at year end.
- Conclusion
Response accepted.
17. Student Activity Funds Deficits
As of June 30, 2009, several individual student activity accounts have negative account balances. Some of these accounts historically have had operating deficits.
- Recommendation
We recommend that a plan be established to eliminate the deficit accounts including but not limited to the reallocation of funds among the accounts.
- Response and Corrective Action Planned
Our objective is to report what the activities true picture are at June 30 and make intrafund transfers if appropriate on July 1.
- Conclusion
Response accepted.

18. Outstanding Bond Coupon

The District has a 1959 General Obligation Serial Bond outstanding for \$5,000 plus accrued interest.

Recommendation

We recommend the Board turn this amount over to the State Treasurer due to the escheat rules.

Response and Corrective Action Planned

We will do as recommended.

Conclusion

Response accepted.

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

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of South 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 25, 2009