

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

**FINANCIAL REPORT**

**JUNE 30, 2011**

## TABLE OF CONTENTS

	<u>Page</u>
BOARD OF EDUCATION AND SCHOOL OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)	4
<b>BASIC FINANCIAL STATEMENTS</b>	<u>Exhibit</u>
District-Wide Financial Statements	
Statement of Net Assets	A      5
Statement of Activities	B      6
Governmental Fund Financial Statements	
Balance Sheet	C      7-8
Statement of Revenues, Expenditures, and Changes in Fund Balances	D      9-10
Proprietary Fund Financial Statements	
Statement of Net Assets	E      11
Statement of Revenues, Expenses, and Changes in Net Assets	F      12
Statement of Cash Flows	G      13
Notes to Financial Statements	14-24
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	25
Notes to Required Supplementary Information-Budgetary Reporting	26
Schedule of Funding Progress for the Retiree Health Plan	27
INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION	28
<b>OTHER SUPPLEMENTARY INFORMATION</b>	<u>Schedule</u>
Nonmajor Governmental Funds	
Combining Balance Sheet	1      29
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2      30
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3      31-32
Comparative Schedule of Revenues and Expenditures	4      33
Comparison of General Fund Expenditures	5      34
Comparison of General Fund Revenues	6      35
General Fund Solvency Ratio	7      36
Spending Authority	8      37
Student Enrollment Data	9      38
General Fund Expenditure Analysis	10     39
General Fund Revenue Analysis	11     40
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 <i>GOVERNMENT AUDITING STANDARDS</i>	41-42
MANAGEMENT LETTER	43-47

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION AND SCHOOL OFFICIALS

<b>Name</b>	<b>Title</b>	<b>Address</b>	<b>Term Expires</b>
<b><u>Board of Education</u></b>			
Allan Schmitt	President	Calmar, Iowa	September 2013
Brad Hertges	Member	Ossian, Iowa	September 2011
Robert Busch	Member	Fort Atkinson, Iowa	September 2011
Wendy Mihm-Herold	Member	Fort Atkinson, Iowa	September 2013
Arnie Kriener	Member	Ossian, Iowa	September 2013

**School Officials**

Chris Hoover – Superintendent  
Amy Boothe – District Secretary/Treasurer

123 West Water Street  
P.O. Box 507  
Decorah, Iowa 52101  
Telephone 563 382-3637  
Fax 563 382-5797

HACKER, NELSON & CO., P.C.  
Certified Public Accountants  
And Business Consultants  
  
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 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, 2011, 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.

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.

As discussed in Note 1 to the financial statements, management has not recorded certain general infrastructure assets and other capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. The District has not maintained a record of all equipment used within the District. U.S. generally accepted accounting principles require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the governmental activities of South Winneshiek Community School District, as of June 30, 2011, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of business-type activities, each major fund, and the aggregate remaining fund information of South Winneshiek Community School District as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information and funding progress for the retiree health plan on page 4 and pages 25 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Hacher, Nelson & Co., P.C.*

Decorah, Iowa  
November 28, 2011

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

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

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, 2011. 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 \$829,658. Net assets of governmental activities increased by \$817,037, which represented 8.55% increase from fiscal year 2010. Property taxes increased approximately \$49,347 in the general fund and \$97,206 in the management fund. Charge for services increased \$149,927 and operating grants, decreased \$217,079 from fiscal year 2010. District program expenses were 0.37% or approximately \$26,513 less in 2011 than in 2010.

General fund revenues accounted for \$6,468,790 in revenue or 84.35% of all revenues. General fund expenditures accounted for \$6,098,933 in expenditures or 83.1% 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 nonmajor 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-capital projects fund and statewide sales, services and use tax fund are the more significant funds.

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

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

Other supplementary information provides detailed information about the nonmajor funds.

## Reporting the District as a Whole

### *The Statement of Net Assets and the Statement of Activities*

The 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-capital projects fund and statewide sales, services and use tax fund are the more significant funds.

### **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 2011 totaled \$10,463,011.

	Condensed Statement of Net Assets (Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total		Percent Change
	2010	2011	2010	2011	2010	2011	
Current and other assets	\$ 4,994	\$ 5,838	\$ 74	\$ 70	\$ 5,068	\$ 5,908	16.57%
Capital assets	8,514	8,933	17	33	8,531	8,966	5.10%
<b>Total assets</b>	<b>13,508</b>	<b>14,771</b>	<b>91</b>	<b>103</b>	<b>13,599</b>	<b>14,874</b>	
Long-term debt outstanding	393	328	-	-	393	328	-16.54%
Other liabilities	3,564	4,075	9	8	3,573	4,083	14.27%
<b>Total liabilities</b>	<b>3,957</b>	<b>4,403</b>	<b>9</b>	<b>8</b>	<b>3,966</b>	<b>4,411</b>	
<b>Net assets</b>							
Invested in capital assets, net of related debt	8,509	8,927	17	33	8,526	8,960	5.09%
Restricted	20	536	-	-	20	536	2580.00%
Unrestricted	1,022	905	65	62	1,087	967	-11.04%
<b>Total net assets</b>	<b>\$ 9,551</b>	<b>\$ 10,368</b>	<b>\$ 82</b>	<b>\$ 95</b>	<b>\$ 9,633</b>	<b>\$ 10,463</b>	

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

	Changes in Net Assets (Expressed in Thousands)							Percent Change
	Governmental Activities		Business-type Activities		Total			
	2010	2011	2010	2011	2010	2011		
Revenues:								
Program revenue								
Charges for service	\$ 536	\$ 686	\$ 173	\$ 173	\$ 709	\$ 859		21.16%
Operating grants	1,555	1,335	133	136	1,688	1,471		-12.86%
General revenue								
Property taxes	2,583	2,733	-	-	2,583	2,733		5.81%
Sales tax and surtax	700	667	-	-	700	667		-4.71%
Unrestricted state grants	1,927	2,235	-	-	1,927	2,235		15.98%
Unrestricted investment earnings	19	13	-	-	19	13		-31.58%
Gain (loss) on the sale of capital assets	1	3	-	-	1	3		200.00%
Other revenue	10	-	-	-	10	-		-100.00%
Total revenues	7,331	7,672	306	309	7,637	7,981		
Program expenses:								
Instruction	4,698	4,553	-	-	4,698	4,553		-3.09%
Student support	1,595	1,667	-	-	1,595	1,667		4.51%
Non-instructional programs	1	1	-	-	1	1		100%
Other expenses	598	634	286	296	884	930		5.20%
Total expenses	6,892	6,855	286	296	7,178	7,151		
Increase in net assets	439	817	20	13	459	830		80.83%
Net assets Beginning of Year	9,112	9,551	62	82	9,174	9,633		5.00%
Net assets End of Year	\$ 9,551	\$ 10,368	\$ 82	\$ 95	\$ 9,633	\$ 10,463		

### INDIVIDUAL FUND ANALYSIS

As the District completed the year, its governmental funds reported a combined fund balance of \$1,758,532, a \$332,523 increase of the 2010 fiscal year end balance of \$1,426,009.

- The general fund received less revenue during fiscal year 2011 through federal sources and received more revenue from state sources. The general fund expenditures increased for instruction by 2.88% and for support services by .93%. The ending fund balance of \$1,227,911 showed an increase of \$372,632 from the prior year balance of \$855,279.
- The management levy fund balance decreased by \$27,339 for fiscal year 2011.
- The physical plant and equipment levy (PPEL) fund balance increased \$152,508 during fiscal year 2011. The District increased spending from the PPEL fund to reduce expenditures in the general fund as permitted by law.
- The statewide sales, services and use tax fund balance decreased by \$172,748 due to increase in 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 15<sup>th</sup> 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 2011 fiscal year should have no impact on the 2012 fiscal year's budget.

The following chart shows the original and amended budget for fiscal 2011 as well as the actual revenue and expenditures for the year:

Budgetary Comparison Schedule (Expressed in Thousands)					
	Actual Basis	Budget Amounts		Variance	
		Original	Final		
<b>Revenues</b>					
Local sources	\$ 4,253	\$ 4,165	\$ 4,165	\$ 88	
Intermediate sources	-	2	2	(2)	
State sources	3,260	4,088	4,088	(828)	
Federal sources	466	375	375	91	
<b>Total revenues</b>	<b>\$ 7,979</b>	<b>\$ 8,630</b>	<b>\$ 8,630</b>	<b>\$ (651)</b>	
<b>Expenditures</b>					
Instruction	\$ 4,618	\$ 5,295	\$ 5,295	\$ 677	
Student support	1,667	2,182	2,182	515	
Non-instructional programs	298	286	325	27	
Other expenses	1,053	1,422	1,422	369	
<b>Total expenditures</b>	<b>\$ 7,636</b>	<b>\$ 9,185</b>	<b>\$ 9,224</b>	<b>\$ 1,588</b>	

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2011, South Winneshiek Community School District had \$8,927,625 invested in a broad range of capital assets, including buildings, land and equipment for the governmental activities. For the enterprise funds, the District had \$32,813 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 \$5,388 for fiscal year 2011 and total accumulated depreciation of \$110,791 as of June 30, 2011 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 \$191,065 in bonds and other debt compared to approximately \$287,587 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 \$9,186,309 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:

- The only additional economic factor we have noted is an unusually large amount of teachers/employees that are currently on long-term sick leave. We anticipate that our increased salary costs may be as much as 10% of our current unspent balance from last year.

**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 WINNESHEIK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2011

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments			
Other	\$ 2,559,977	\$ 66,581	\$ 2,626,558
Receivables			
Property tax			
Delinquent	34,902		34,902
Succeeding year	2,877,188		2,877,188
Accounts	114,289		114,289
Due from other governments	251,934		251,934
Inventories		3,962	3,962
Capital assets, non-depreciable	90,962		90,962
Capital assets, net of accumulated depreciation	8,841,663	32,813	8,874,476
	<u>\$ 14,770,915</u>	<u>\$ 103,356</u>	<u>\$ 14,874,271</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 291,861		\$ 291,861
Salaries and benefits payable	613,103	\$ 8,255	621,358
Accrued interest payable	137		137
Deferred revenue			
Succeeding year property tax	2,877,188		2,877,188
Other	292,469		292,469
Long-term liabilities			
Portion due within one year			
Bonds payable	5,000		5,000
Early retirement	82,532		82,532
Portion due after one year			
Early retirement	103,533		103,533
Net OPEB obligation	137,182		137,182
	<u>4,403,005</u>	<u>8,255</u>	<u>4,411,260</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	8,927,625	32,813	8,960,438
Restricted for			
Capital projects	154,553		154,553
Management levy purposes	139,112		139,112
Physical plant and equipment	160,984		160,984
Debt service	20,280		20,280
Student activities	60,692		60,692
Other purposes	16,515		16,515
Unrestricted	888,149	62,288	950,437
	<u>10,367,910</u>	<u>95,101</u>	<u>10,463,011</u>
	<u>\$ 14,770,915</u>	<u>\$ 103,356</u>	<u>\$ 14,874,271</u>

See Notes to Financial Statements.

This Page Intentionally Left Blank

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
June 30, 2011

Functions and Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants
<b>Governmental activities</b>			
<b>Instruction</b>			
Regular instruction	\$ 2,759,815	\$ 413,302	\$ 837,419
Special instruction	816,684	9,177	146,382
Other instruction	976,075	10,304	5,073
	<u>4,552,574</u>	<u>432,783</u>	<u>988,874</u>
<b>Support services</b>			
Student services	178,987	237,743	
Instructional staff services	103,415		
Administration services	583,037		
Operation and maintenance plant services	457,009		
Transportation services	344,487	6,084	68,371
	<u>1,666,935</u>	<u>243,827</u>	<u>68,371</u>
<b>Non-instructional</b>			
	<u>1,364</u>	<u>9,100</u>	
<b>Other</b>			
Facilities acquisition	355,889		
AEA flowthrough	278,181		278,181
	<u>634,070</u>	<u>-</u>	<u>278,181</u>
<b>Total governmental activities</b>	<b>6,854,943</b>	<b>685,710</b>	<b>1,335,426</b>
<b>Business-type activities</b>			
<b>Non-instructional programs</b>			
Nutrition services	296,913	173,077	136,136
<b>Total</b>	<b>\$ 7,151,856</b>	<b>\$ 858,787</b>	<b>\$ 1,471,562</b>
<b>General revenues</b>			
Property taxes levied for			
General purposes			
Management			
PPEL			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Gain on the sale of capital assets			
Other			
<b>Total general revenues</b>			
<b>Change in net assets</b>			
Net assets, beginning of year			
Net assets, end of year			

See Notes to Financial Statements.

EXHIBIT B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (1,509,094)		\$ (1,509,094)
(661,125)		(661,125)
(960,698)		(960,698)
(3,130,917)		(3,130,917)
58,756		58,756
(103,415)		(103,415)
(583,037)		(583,037)
(457,009)		(457,009)
(270,032)		(270,032)
(1,354,737)		(1,354,737)
7,736		7,736
(355,889)		(355,889)
-		-
(355,889)	\$ -	(355,889)
(4,833,807)	-	(4,833,807)
	12,300	12,300
(4,833,807)	12,300	(4,821,507)
2,455,181		2,455,181
171,947		171,947
105,927		105,927
666,620		666,620
2,234,611		2,234,611
13,298	321	13,619
2,775		2,775
485		485
5,650,844	321	5,651,165
817,037	12,621	829,658
9,550,873	82,480	9,633,353
\$ 10,367,910	\$ 95,101	\$ 10,463,011

This Page Intentionally Left Blank

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

	<u>General</u>	<u>Special Revenue Management Levy</u>	<u>Capital Projects Physical Plant and Equipment Levy</u>
<b>ASSETS</b>			
Cash and pooled investments			
Other	\$ 2,097,952	\$ 136,669	\$ 165,992
Receivables			
Property tax			
Delinquent	33,364		1,538
Succeeding year	2,650,894	109,999	116,295
Accounts	14,356	2,443	
Due from other governments	169,873		82,061
<b>Total assets</b>	<b>\$ 4,966,439</b>	<b>\$ 249,111</b>	<b>\$ 365,886</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 264,123		\$ 6,546
Salaries and benefits payable	613,103		
Interest payable			
Deferred revenue			
Succeeding year property tax	2,650,894	\$ 109,999	116,295
Other	210,408		82,061
Bonds payable			
<b>Total liabilities</b>	<b>3,738,528</b>	<b>109,999</b>	<b>204,902</b>
Fund balances			
Restricted for			
Debt service			
Other purposes	16,515		
Management levy purposes		139,112	
Student activities			
School infrastructure			
Physical plant and equipment			160,984
Unassigned	1,211,396		
<b>Total fund balances</b>	<b>1,227,911</b>	<b>139,112</b>	<b>160,984</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,966,439</b>	<b>\$ 249,111</b>	<b>\$ 365,886</b>

See Notes to Financial Statements.

EXHIBIT C

<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 78,255	\$ 81,109	\$ 2,559,977
		34,902
		2,877,188
97,490		114,289
		251,934
<u>\$ 175,745</u>	<u>\$ 81,109</u>	<u>\$ 5,838,290</u>
\$ 21,192		\$ 291,861
	\$ 137	613,103
		137
		2,877,188
	5,000	292,469
		5,000
<u>21,192</u>	<u>5,137</u>	<u>4,079,758</u>
	15,280	15,280
		16,515
		139,112
	60,692	60,692
154,553		154,553
		160,984
		1,211,396
<u>154,553</u>	<u>75,972</u>	<u>1,758,532</u>
<u>\$ 175,745</u>	<u>\$ 81,109</u>	<u>\$ 5,838,290</u>

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

## RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET ASSETS

Total governmental fund balances	\$	1,758,532
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		8,932,625
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		
Early retirement		(186,065)
Net OPEB obligation		(137,182)
Net assets of governmental activities per Exhibit A	\$	<u>10,367,910</u>

See Notes to Financial Statements.

This Page Intentionally Left Blank

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
June 30, 2011

	General	Special Revenue Management Levy	Capital Projects Physical Plant and Equipment Levy
<b>REVENUES</b>			
Local sources			
Local property tax	\$ 2,455,181	\$ 171,947	\$ 105,927
Tuition	231,693		
Other	192,941	1,354	81,380
State sources	3,257,009		
Federal sources	331,966		
<b>Total revenues</b>	<b>6,468,790</b>	<b>173,301</b>	<b>187,307</b>
<b>EXPENDITURES</b>			
Current			
Instruction			
Regular instruction	2,672,031	153,397	
Special instruction	816,684		
Other instruction	745,780		
	<b>4,234,495</b>	<b>153,397</b>	
Support services			
Student services	177,706	1,281	
Instructional staff services	68,616		34,799
Administration services	577,721	5,316	
Operation and maintenance plant services	425,260	31,749	
Transportation services	336,954	7,533	
	<b>1,586,257</b>	<b>45,879</b>	<b>34,799</b>
Non-instructional		1,364	
Other			
Facilities acquisition			
AEA flowthrough	278,181		
	<b>278,181</b>	<b>-</b>	<b>-</b>
<b>Total expenditures</b>	<b>6,098,933</b>	<b>200,640</b>	<b>34,799</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>369,857</b>	<b>(27,339)</b>	<b>152,508</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Gain on sale of capital assets	2,775		
	<b>2,775</b>	<b>-</b>	<b>-</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES</b>	<b>372,632</b>	<b>(27,339)</b>	<b>152,508</b>
FUND BALANCE, beginning of year	855,279	166,451	8,476
FUND BALANCE, end of year	<b>\$ 1,227,911</b>	<b>\$ 139,112</b>	<b>\$ 160,984</b>

See Notes to Financial Statements.

EXHIBIT D

Capital Projects Statewide Sales, Services and Use Tax	Other Governmental Funds	Total Governmental Funds
		\$ 2,733,055
		231,693
\$ 602,043	\$ 237,743	1,115,461
	21	3,257,030
		331,966
<u>602,043</u>	<u>237,764</u>	<u>7,669,205</u>
		2,825,428
		816,684
	230,294	976,074
	<u>230,294</u>	<u>4,618,186</u>
		178,987
		103,415
		583,037
		457,009
		344,487
-	-	1,666,935
		<u>1,364</u>
774,791		774,791
		278,181
<u>774,791</u>	-	<u>1,052,972</u>
774,791	230,294	7,339,457
<u>(172,748)</u>	<u>7,470</u>	<u>329,748</u>
		2,775
-	-	<u>2,775</u>
(172,748)	7,470	332,523
<u>327,301</u>	<u>68,502</u>	<u>1,426,009</u>
<u>\$ 154,553</u>	<u>\$ 75,972</u>	<u>\$ 1,758,532</u>

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2011

---

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Net change in fund balances - total governmental funds	\$	332,523
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.		418,902
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.		
Early retirement	\$ 96,522	
Net OPEB liability	(30,910)	65,612
Change in net assets of governmental activities per Exhibit B	\$	817,037

See Notes to Financial Statements.

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

	School Nutrition Fund
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 66,581
Inventories	3,962
<b>Total current assets</b>	<b>70,543</b>
<b>NONCURRENT ASSETS</b>	
Furniture and equipment	143,604
Less accumulated depreciation	(110,791)
<b>Total noncurrent assets</b>	<b>32,813</b>
<b>Total assets</b>	<b>\$ 103,356</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Salaries and benefits payable	\$ 8,255
<b>Total liabilities</b>	<b>8,255</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	32,813
Unrestricted	62,288
<b>Total net assets</b>	<b>95,101</b>
<b>Total liabilities and net assets</b>	<b>\$ 103,356</b>

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, 2011

	<u>School Nutrition Fund</u>
<b>OPERATING REVENUES</b>	
Local sources	
Charges for services	\$ 173,077
<b>OPERATING EXPENSES</b>	
Non-instructional programs	
Food service operations	
Salaries and benefits	151,187
Purchased services	131,186
Supplies	9,152
Depreciation	5,388
Total operating expenses	<u>296,913</u>
Operating loss	<u>(123,836)</u>
<b>NONOPERATING REVENUES</b>	
Interest on investments	321
State sources	2,736
Federal sources	133,400
Total nonoperating revenues	<u>136,457</u>
Change in net assets	12,621
Net assets, beginning of year	<u>82,480</u>
Net assets, end of year	<u>\$ 95,101</u>

See Notes to Financial Statements.

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

	School Nutrition Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from sale of lunches and breakfasts	\$ 173,077
Cash payments to employees for services	(152,012)
Cash payments to vendors for goods and services	(109,280)
Cash payments to suppliers for goods and services	(9,090)
Net cash used in operating activities	(97,305)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State and federal grants received	114,229
Net cash provided by noncapital financing activities	114,229
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of equipment	(20,860)
Net cash used in capital and related financing activities	(20,860)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	321
Net decrease in cash	(3,615)
CASH, beginning of year	70,196
CASH, end of year	\$ 66,581
<b>Reconciliation of operating loss to net cash used in operating activities</b>	
Operating loss	\$ (123,836)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	5,388
Commodities used	21,906
Decrease in inventories	62
Increase in salaries and benefits payable	(825)
Net cash used in operating activities	\$ (97,305)

**Non-cash, noncapital financing activities:**

During the year ended June 30, 2011, the District received commodities valued at \$21,906.

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-capital projects 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.

*Capital Projects Funds*

The capital projects fund is utilized to account for all resources used in the acquisition and construction of capital facilities and other capital assets, with the exception of those that are financed through enterprise funds. The major funds in this category are statewide sales, services and use tax and physical plant and equipment levy.

The statewide sales, services and use tax are used to account for the purchase of capital assets using local option sales tax and use tax.

The physical plant and equipment levy fund is used to account for the purchase of capital assets using property tax revenue.

*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 District-wide statements and 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 District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

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 \$5,000 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, 2011 was used to calculate the salaries payable.

*Deferred Revenue*

In the fund financial statements certain revenues are measurable, however they are not available. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable and 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. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011.

*Fund Balance*

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

Restricted

Amounts restricted to specific purposes when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed

Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned

All amounts not included in other spendable classifications.

2. Deposits and Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

NOTES TO FINANCIAL STATEMENTS

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2011:

Governmental		
General fund		
Transportation aid, non-public	\$	41,391
IDEA		19,063
Income surtax		82,061
Vocational aid, state		5,073
Title I		22,285
		169,873
PPEL		
Income surtax		82,061
Total intergovernmental	\$	251,934

4. Capital Assets

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

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Governmental activities				
Land	\$ 90,962			\$ 90,962
Construction in progress	32,097		\$ 32,097	None
	\$ 123,059	\$ None	\$ 32,097	\$ 90,962
Capital assets subject to depreciation				
Land improvements	\$ 289,782			\$ 289,782
Buildings	5,310,767	\$ 107,501		5,418,268
Furniture and equipment	2,790,115	343,498		3,133,613
Governmental activities				
Capital assets	\$ 8,390,664	\$ 450,999	\$ None	\$ 8,841,663
Business-type activities				
Furniture and equipment	\$ 122,744	\$ 20,860		\$ 143,604
Less accumulated depreciation	105,403	5,388		110,791
Business-type activities				
Capital assets, net	\$ 17,341	\$ 15,472	\$ None	\$ 32,813

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

Business-type activities	
Food services	\$ 5,388

NOTES TO FINANCIAL STATEMENTS

5. Long-term Debt Obligations

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

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
Governmental activities					
Bonds					
General obligation	\$ 5,000			\$ 5,000	\$ 5,000
Other liabilities					
Early retirement	282,587		\$ 96,522	186,065	82,532
Governmental activities					
Long-term liabilities	\$ 287,587	\$ None	\$ 96,522	\$ 191,065	\$ 87,532

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, 2011, the District has obligations to eight participants with a total liability of \$186,065. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$96,522.

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.

There were no interest costs incurred and charged to expenses for the year ended June 30, 2011.

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

Total assessed valuation	\$ 183,726,189
Debt limit – 5% of total assessed valuation	\$ 9,186,309
Debt applicable to debt limit	
General obligation bonded debt outstanding	(5,000)
Legal debt margin	\$ 9,181,309

6. Pension and Retirement Benefits

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

Plan members are required to contribute 4.50%, 4.30%, and 4.10% of their annual covered salary and the District is required to contribute 6.95%, 6.65%, and 6.35% of annual covered payroll for the years ended June 30, 2011, 2010, and 2009 respectively. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$228,405, \$224,886, and \$221,124, respectively, equal to the required contributions for each year.

7. 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 74 participants in the plan for the plan year ended December 31, 2010.

8. 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.

9. 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 \$278,181 for the year ended June 30, 2011 and is recorded in the general fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Other Postemployment Benefits (OPEB)

*Plan Description*

As explained in Note 11, the District is a member of the Northeast Iowa Schools Insurance Trust (trust) which provides medical and prescription drug benefits for retirees and their spouses. South Winneshiek Community School District has 60 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through the trust. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

*Funding Policy*

The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

*Annual OPEB Cost and Net OPEB Obligation*

The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

10. Other Postemployment Benefits (OPEB) (Continued)

*Annual OPEB Cost and Net OPEB Obligation (Continued)*

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	35,193
Interest on net OPEB obligation		880
Adjustment to annual required contribution		None
Annual OPEB cost		36,073
Contributions made		5,164
Increase in net OPEB obligation		30,909
Net OPEB obligation beginning of year		106,273
Net OPEB obligation end of year	\$	137,182

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year end June 30, 2011.

For the year ended June 30, 2011, the District contributed \$None to the medical plan for the OPEB obligation. Plan members eligible for benefits contributed \$None of the premium costs for the OPEB obligation.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized below as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 52,028	0%	\$ 106,273
June 30, 2011	\$ 36,073	14.3%	\$ 137,182

*Funded Status and Funding Progress*

As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$368,770, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$368,770. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2.839 million, and the ratio of the UAAL to covered payroll was 13.00%. As of June 30, 2011, there were no trust fund assets.

*Actuarial Methods and Assumptions*

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the notes to financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provide at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

10. Other Postemployment Benefits (OPEB) (Continued)

*Actuarial Methods and Assumptions (Continued)*

As of July 1, 2010 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

11. Employee Insurance Plan

Monthly payments of service fees and plan contributions are recorded as expenditures in the general fund at the time of payment to the Northeast Iowa Schools Insurance Trust (trust) maintained by Midwest Group Benefits Consultants, Inc. The trust's Board of Directors decided to terminate the self-funded health plans, effective July 1, 2009, and change to partially self-funded plans using fully insured health plans through Wellmark Blue Cross/Blue Shield. There were three new plans offered to the schools. The trust assumes liability for claims on its three plans as follows: Plan 1 – between \$500 and \$5,000 for single coverage and \$1,000 and \$10,000 for family coverage, Plan 2 – between \$1,000 and \$5,000 for single coverage and \$2,000 and \$10,000 for family coverage and Plan 3 – between \$2,000 and \$5,000 for single coverage and \$4,000 and \$10,000 for family coverage. All plans include coinsurance and Plan 2 includes copayments. Claims in excess of the deductible are insured through the purchase of insurance. The District may be contingently liable for any claims in excess of funds available at June 30, 2011, since the pool arrangement allows the trust to make additional assessments to members. The District's share of the trust's liability for any unreported claim or assessment at June 30, 2011 was unavailable as of November 28, 2011. The District contributions to the trust for the years ended June 30, 2011, 2010, and 2009 were \$545,989, \$430,871, and \$417,445, 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, 2011, no liability has been recorded in the District's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance company coverage.

12. 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, 2011 significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

13. Commitments

The District has entered into contracts totaling \$39,500 for tiling and concrete at the high school. Of these commitments, \$None will be funded by state and federal grants.

This Page Intentionally Left Blank

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, 2011

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual
<b>REVENUES</b>			
Local sources	\$ 4,080,209	\$ 173,077	\$ 4,253,286
Intermediate sources			
State sources	3,257,030	3,057	3,260,087
Federal sources	331,966	133,400	465,366
<b>Total revenues</b>	<b>7,669,205</b>	<b>309,534</b>	<b>7,978,739</b>
<b>EXPENDITURES/EXPENSES</b>			
Instruction	4,618,186		4,618,186
Support services	1,666,935		1,666,935
Non-instructional	1,364	296,913	298,277
Other	1,052,972		1,052,972
<b>Total expenditures/expenses</b>	<b>7,339,457</b>	<b>296,913</b>	<b>7,636,370</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES</b>	<b>329,748</b>	<b>12,621</b>	<b>342,369</b>
<b>OTHER FINANCING SOURCES, NET</b>	<b>2,775</b>	<b>-</b>	<b>2,775</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES/EXPENSES AND OTHER FINANCING USES</b>	<b>332,523</b>	<b>12,621</b>	<b>345,144</b>
<b>FUND BALANCE, beginning of year</b>	<b>1,426,009</b>	<b>82,480</b>	<b>1,508,489</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 1,758,532</b>	<b>\$ 95,101</b>	<b>\$ 1,853,633</b>

See Notes to Required Supplementary Information.

Budget Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 4,164,692	\$ 4,164,692	\$ 88,594
2,000	2,000	(2,000)
4,088,346	4,088,346	(828,259)
375,000	375,000	90,366
<u>8,630,038</u>	<u>8,630,038</u>	<u>(651,299)</u>
5,295,000	5,295,000	676,814
2,182,325	2,182,325	515,390
285,500	325,000	26,723
1,422,329	1,422,329	369,357
<u>9,185,154</u>	<u>9,224,654</u>	<u>1,588,284</u>
(555,116)	(594,616)	936,985
<u>-</u>	<u>-</u>	<u>2,775</u>
(555,116)	(594,616)	939,760
<u>2,041,883</u>	<u>2,041,883</u>	<u>(533,394)</u>
<u>\$ 1,486,767</u>	<u>\$ 1,447,267</u>	<u>\$ 406,366</u>

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

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

---

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund 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 \$39,500.

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

Fiscal Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 439	\$ 439	0.0%	\$ 3,192	13.75%
2010	July 1, 2008	-	\$ 449	\$ 449	0.0%	\$ 2,948	15.23%
2011	July 1, 2010	-	\$ 369	\$ 369	0.0%	\$ 2,839	13.00%

See Note 10 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

123 West Water Street  
P.O. Box 507  
Decorah, Iowa 52101  
Telephone 563 382-3637  
Fax 563 382-5797

*HACKER, NELSON & CO., P.C.*  
*Certified Public Accountants*  
*And Business Consultants*

*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  
SUPPLEMENTARY INFORMATION

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

Our report on our audit of the financial statements of South Winneshiek Community School District as of and for the year ended June 30, 2011 appears on pages 2-3. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We have previously audited, in accordance with U.S. generally accepted auditing standards, the financial statements of South Winneshiek Community School District as of and for the years ending June 30, 2002 through 2010, 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, 2006 through 2010. We expressed unqualified opinions on the business-type activities, each major fund, and the aggregate remaining fund information for the years ending June 30, 2002 through 2010. In our opinion, the information set forth in the required supplementary information for each of the years in the period ended June 30, 2010, appearing on page 33 and pages 34 through 38, is fairly stated, in all material respects in relation to the financial statements from which it has been derived. On page 36 the solvency ratio and page 37 the spending authority for fiscal year 2011 have not been audited and we express no opinion on them. On page 38 the estimated enrollment for fiscal year 2012 has not been audited and we express no opinion on it.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
November 28, 2011

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

	Special Revenue Student Activity	Debt Service	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and pooled investments	\$ 60,692	\$ 20,417	\$ 81,109
<b>Total assets</b>	<b>\$ 60,692</b>	<b>\$ 20,417</b>	<b>\$ 81,109</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Interest payable		\$ 137	\$ 137
Bonds payable		5,000	5,000
<b>Total liabilities</b>	<b>\$ -</b>	<b>5,137</b>	<b>5,137</b>
<b>Fund balances</b>			
Restricted for			
Debt service		15,280	15,280
Student activities	60,692		60,692
<b>Total fund balances</b>	<b>60,692</b>	<b>15,280</b>	<b>75,972</b>
<b>Total liabilities and fund balances</b>	<b>\$ 60,692</b>	<b>\$ 20,417</b>	<b>\$ 81,109</b>

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, 2011

	Special Revenue Student Activity	Debt Service	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Local sources			
Other	\$ 237,743		\$ 237,743
State sources		\$ 21	21
Total revenues	<u>237,743</u>	<u>21</u>	<u>237,764</u>
<b>EXPENDITURES</b>			
Current			
Instruction			
Other instruction	230,294		230,294
Total expenditures	<u>230,294</u>	<u>-</u>	<u>230,294</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,449	21	7,470
FUND BALANCE, beginning of year	<u>53,243</u>	<u>15,259</u>	<u>68,502</u>
FUND BALANCE, end of year	<u>\$ 60,692</u>	<u>\$ 15,280</u>	<u>\$ 75,972</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, 2011

	Balance June 30, 2010	Revenues and Transfer In	Expenditures	Balance June 30, 2011
Spanish Club	\$ 112			\$ 112
May Term	(1,132)	\$ 35,123	\$ 35,052	(1,061)
German Club	282			282
Music, EI/MS	(60)	290	117	113
Music, Senior High	(14,338)	169	113	(14,282)
Other Fine Arts	(9,860)	26	130	(9,964)
National Honor Society	(1,264)		367	(1,631)
All Athletic	5,071	21,127	17,719	8,479
All Athletic II	21,435			21,435
Football	26,800	16,377	11,009	32,168
Cross Country	(5,432)	568	1,221	(6,085)
Volleyball	3,662	6,242	5,386	4,518
Boys' Basketball	9,344	4,653	3,534	10,463
Girls' Basketball	4,213	8,388	6,720	5,881
Wrestling	(4,717)	8,956	11,764	(7,525)
Boys' Track	(16,218)	2,098	5,079	(19,199)
Girls' Track	(19,916)	468	3,659	(23,107)
Boys' Golf	(2,596)	22	436	(3,010)
Girls' Golf	(4,439)	22	439	(4,856)
Baseball	(26,276)	10,305	11,175	(27,146)
Softball	(23,824)	4,837	6,587	(25,574)
Cheerleaders, Senior High	5,590	7,484	4,941	8,133
All Fine Arts	3,893	172	790	3,275
Art Senior High	(1,276)	432		(844)
Student Council, Middle School	1,356	100		1,456
Student Council, Senior High	3,706	1,501	1,572	3,635
Yearbook	(177)	10,884	9,178	1,529
Band, Senior High	(2,636)	660	2,229	(4,205)
Flag Corp.	(3,145)	163	252	(3,234)
Choir, Senior High	(1,443)	4,785	5,556	(2,214)
Drama/Musical	14,008	8,525	5,382	17,151
Speech Activity and Debate	(12,340)		1,446	(13,786)
Drama Club	2,629	513	46	3,096
Activity Fee	37,477	6,337		43,814
Interest	2,355	208	69	2,494
Playground	6,107	500		6,607
Sub-totals	(3,049)	161,935	151,968	6,918

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, 2011

	Balance June 30, 2010	Revenues and Transfer In	Expenditures	Balance June 30, 2011
Sub-totals	\$ (3,049)	\$ 161,935	\$ 151,968	\$ 6,918
Athletic Fee	3,735			3,735
Field Trips-Elem/MS	1,969	9,430	9,698	1,701
Food and Fitness	1,252	2,851	1,893	2,210
National Honor Society - CD	4,510			4,510
Elementary	16,352	11,990	8,818	19,524
Classroom Computers, Elementary	644			644
ECSP	325			325
Class of 2008	123			123
Class of 2009	295		150	145
Class of 2010	(48)			(48)
Class of 2011	2,515		2,587	(72)
Class of 2012	605	9,609	9,260	954
Class of 2013	4	1,373	46	1,331
Class of 2014		78	21	57
Pictures, Senior High	1,323			1,323
Resale	(1,236)	7,123	6,552	(665)
Middle School Activity	8,305	5,871	11,212	2,964
SODA		1,243	651	592
FFA	12,443	25,990	27,189	11,244
Industrial Arts	1,654			1,654
FFA-Scotland	(368)	250	250	(368)
AAC Cub	1,891			1,891
	<u>\$ 53,244</u>	<u>\$ 237,743</u>	<u>\$ 230,295</u>	<u>\$ 60,692</u>

See Independent Auditor's Report on the Supplementary Information.

This Page Intentionally Left Blank

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

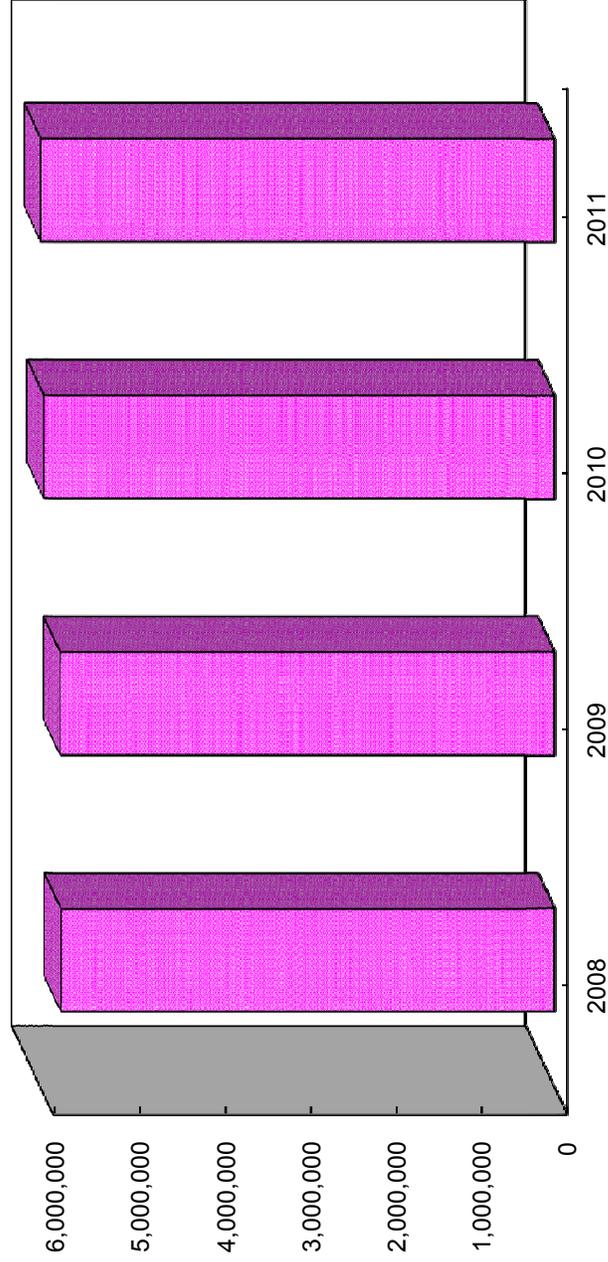
	2011	2010	2009	2008
<b>REVENUES</b>				
Local sources				
Local tax	\$ 2,733,055	\$ 2,583,190	\$ 2,410,317	\$ 2,229,013
Tuition	231,693	141,557	87,995	87,176
Other	1,115,461	1,100,917	1,116,511	1,068,364
Intermediate sources				
State sources	3,257,030	2,922,810	3,283,104	3,376,138
Federal sources	331,966	581,779	191,449	215,061
<b>Total revenues</b>	<b>\$ 7,669,205</b>	<b>\$ 7,330,253</b>	<b>\$ 7,089,376</b>	<b>\$ 6,975,752</b>
<b>EXPENDITURES</b>				
Current				
Instruction				
Regular instruction	\$ 2,825,428	\$ 2,740,582	\$ 2,640,003	\$ 2,537,480
Special instruction	816,684	766,563	865,792	798,829
Other instruction	976,074	965,005	795,982	770,761
Support services				
Student services	178,987	177,303	176,708	166,189
Instructional staff services	103,415	159,720	220,428	341,471
Administration services	583,037	593,083	608,015	586,557
Maintenance plant services	457,009	412,085	431,908	435,931
Transportation services	344,487	439,660	366,832	452,454
Non-instructional	1,364	1,464	351	1,440
Other				
Long-term debt				
Principal		225,000	210,000	200,000
Interest and fiscal charges		12,100	22,810	32,810
Facilities acquisition	774,791	646,322	385,725	138,102
AEA flowthrough	278,181	275,156	256,218	252,758
<b>Total expenditures</b>	<b>\$ 7,339,457</b>	<b>\$ 7,414,043</b>	<b>\$ 6,980,772</b>	<b>\$ 6,714,782</b>

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 4

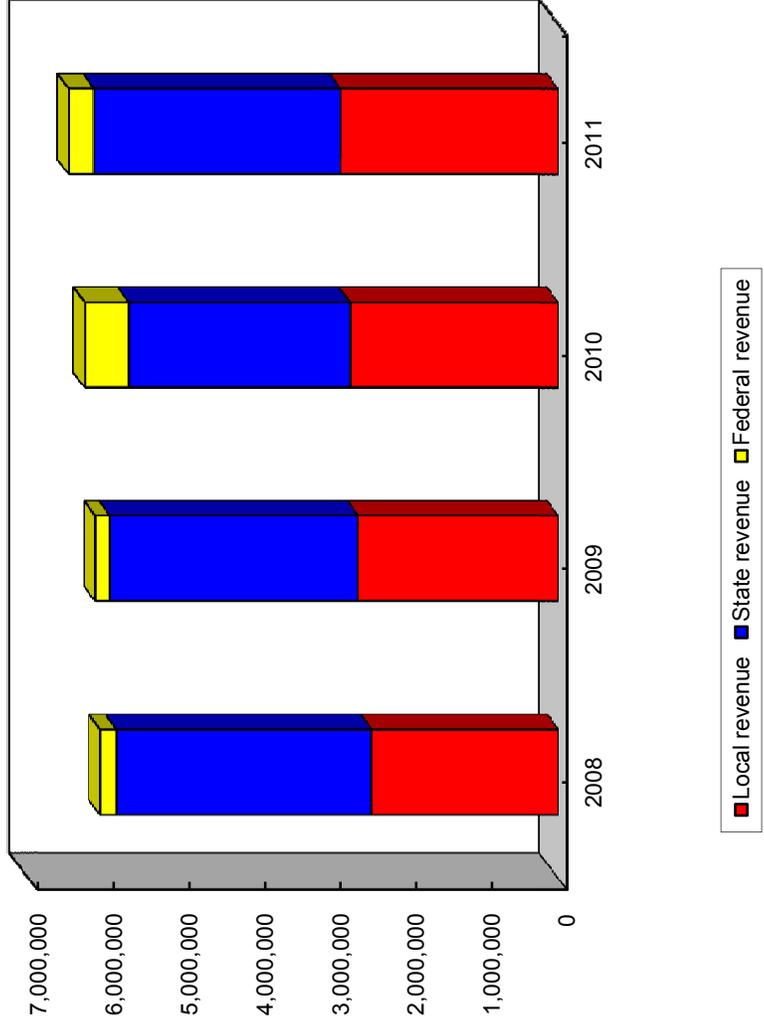
Modified Accrual					
2007	2006	2005	2004	2003	2002
\$ 2,117,458	\$ 2,261,697	\$ 2,165,155	\$ 2,624,957	\$ 2,551,566	\$ 2,426,550
49,310	85,372	86,313	72,205	78,294	65,279
1,103,752	862,243	935,610	415,363	479,521	405,283
			635	479	
3,056,643	2,819,326	3,018,187	2,895,426	2,857,239	3,046,438
190,094	193,575	207,209	211,816	245,345	211,067
<u>\$ 6,517,257</u>	<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>
\$ 2,379,497	\$ 2,318,095	\$ 2,380,779	\$ 2,387,045	\$ 2,364,247	\$ 2,208,737
805,116	857,911	925,177	986,675	939,739	946,891
664,674	690,308	624,249	563,172	496,111	511,122
160,697	159,134	193,362	185,279	175,818	156,603
200,166	273,605	128,768	56,296	72,804	87,847
554,575	537,257	478,798	453,030	470,238	471,726
403,553	410,736	333,633	321,882	309,575	320,701
436,533	393,980	295,955	259,046	349,731	269,225
1,336	1,326	4,179	5,360	2,494	2,367
190,000	180,000	175,400	165,000	155,000	150,000
42,215	50,945	59,032	67,332	74,856	82,128
405,870	468,535	620,297	240,365	407,827	152,253
237,024	228,195	227,868	230,029	246,688	247,603
<u>\$ 6,481,256</u>	<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**

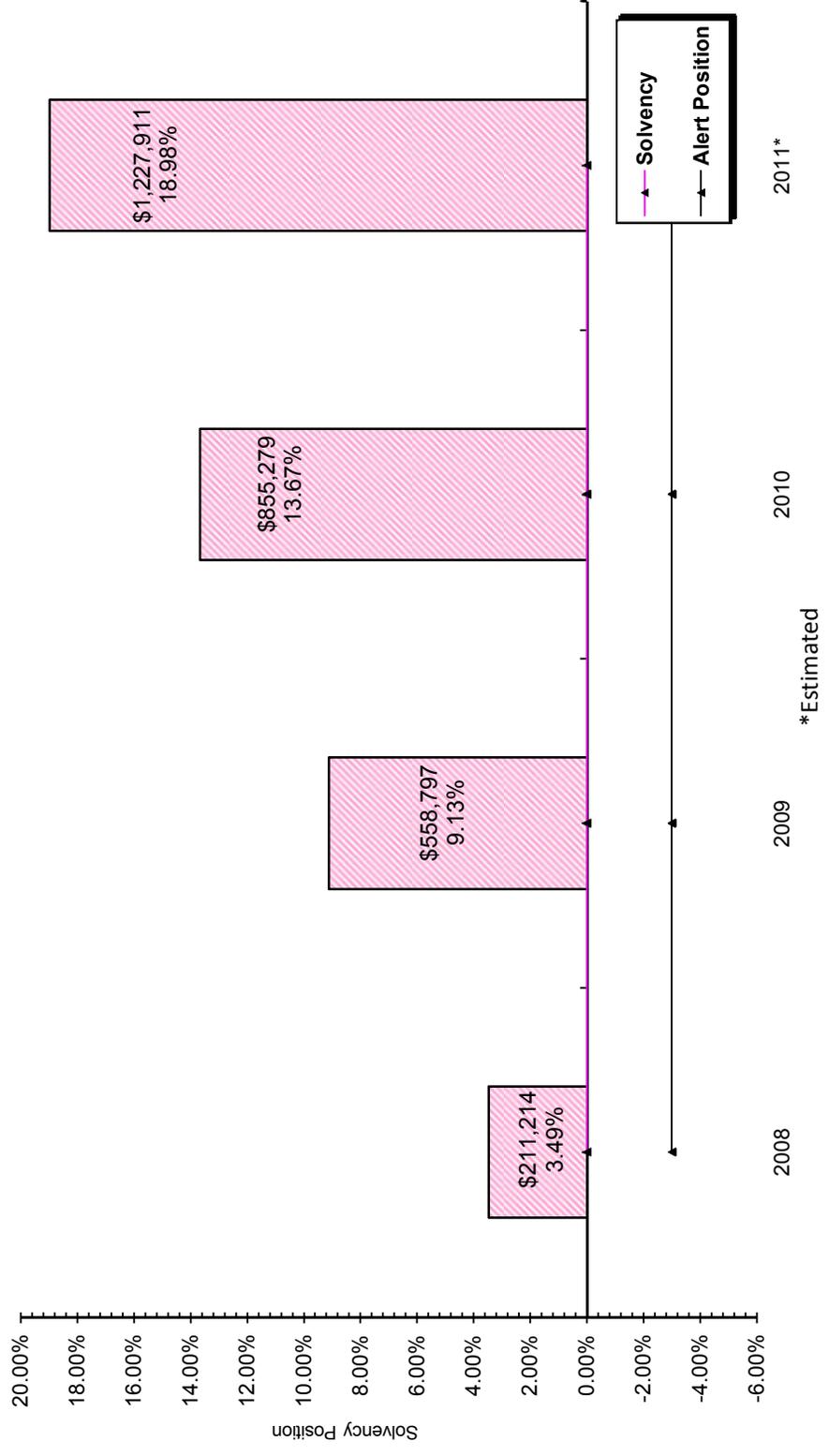


Totals By Year

**SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT**  
Comparison of General Fund Revenues

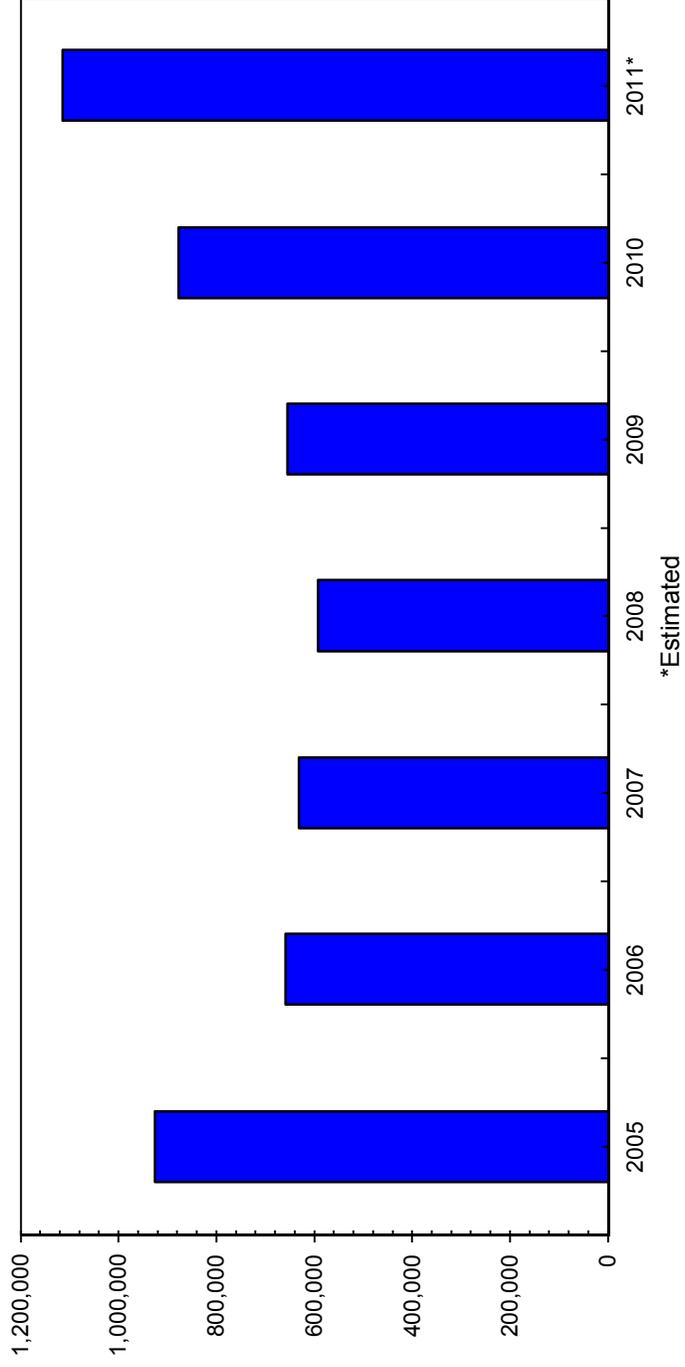


South Winneshiek Community School District  
General Fund Solvency Ratio

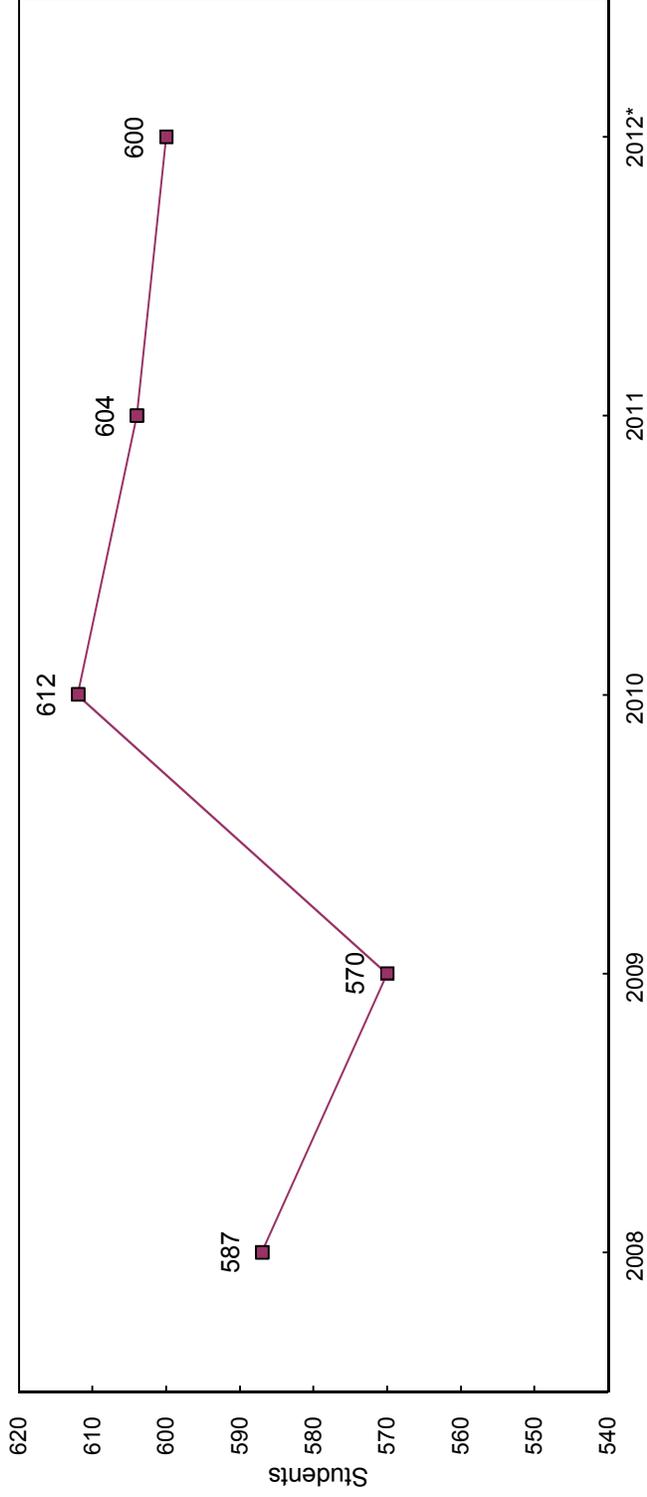


See Independent Auditor's Report on the Supplementary Information.

South Winneshiek Community School District  
Spending Authority



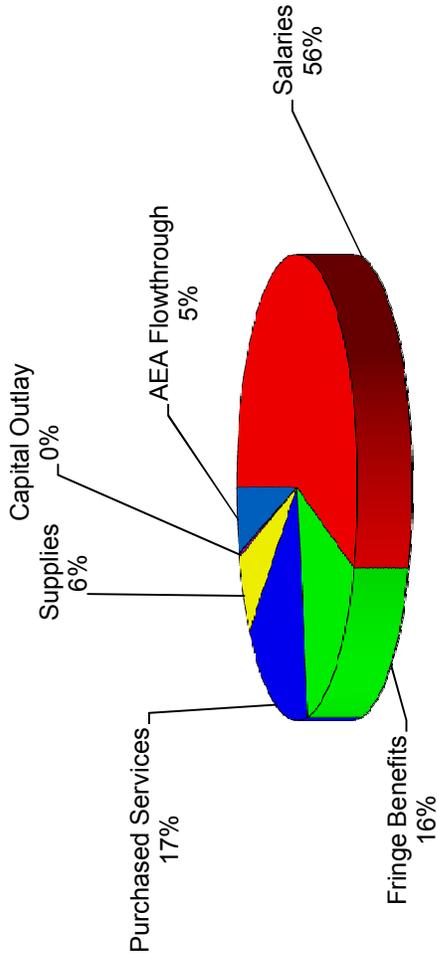
South Winneshiek Community School District  
Student Enrollment Data



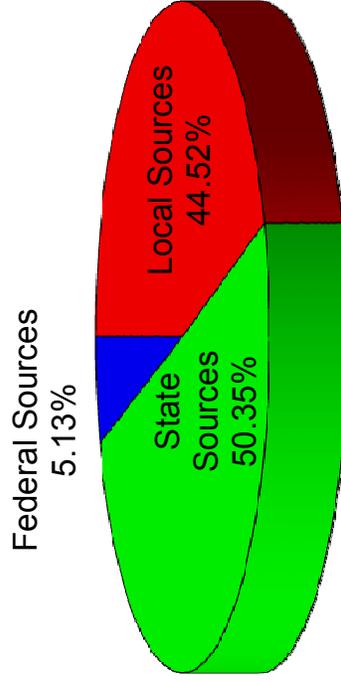
Resource: Total School Enrollment, Not Certified Enrollment, Line 11 of Certified Enrollment Form

\*Estimated, has not been audited

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



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



123 West Water Street  
P.O. Box 507  
Decorah, Iowa 52101  
Telephone 563 382-3637  
Fax 563 382-5797

HACKER, NELSON & CO., P.C.  
Certified Public Accountants  
And Business Consultants  
  
[www.hackernelson.com](http://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 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, 2011, which collectively comprise South Winneshiek Community School District's basic financial statements and have issued our report thereon dated November 28, 2011. The report on the governmental activities was an adverse opinion because we were unable to audit the capital assets and depreciation expense. 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, as discussed below that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

1. Financial Report Preparation

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

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

Response

This will begin to change as we implement new software and begin having more data entered into the financial software that we can use to produce financial statements.

Conclusion

Response acknowledged.

2. Overlapping Duties

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

Response

Changes will be made in the upcoming year to strengthen our internal controls by changing duties in the District office to allow for no employee to balance their own bank account, segregation of making deposits and logging payments, etc... Most of these changes will be implemented at the same time as the new software implementation. While we are aware this will still exist to some level, we certainly see the opportunity to put further controls in place.

Conclusion

Response acknowledged.

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 28, 2011.

South Winneshiek Community School District's responses to the findings identified in our audit are 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.

Decorah, Iowa  
November 28, 2011

*Hacher, Nelson & Co., P.C.*

## 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, 2011, we considered the District's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the District's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 thru 12 below are compliance comments required by the Iowa Auditor of State. A separate report dated November 28, 2011 contains our report on significant deficiencies in the District's internal control. This letter does not affect our report dated November 28, 2011, on the financial statements of the South Winneshiek Community School District. Comment numbers 13, 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, 2011.
5. Bond Coverage  
Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes  
We noted no transactions requiring Board approval, which had not been, approved by the Board. We also noted no minutes and bills that had not been published as required.

7. Certified Enrollment  
No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting  
No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments  
No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
10. Certified Annual Report  
The Certified Annual Report (CAR) was certified to the Iowa Department of Education timely.
11. Categorical Funding  
No instances were noted of categorical funding being used to supplant rather than supplement other funds. 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, Services and Use 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.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	None
Statewide sales, services and use tax			506,209
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$	506,209	
Debt service for school infrastructure:			
General obligation debt		None	506,209
			<hr/>
Ending balance		\$	<u>None</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

13. Student Activity Funds Deficits  
As of June 30, 2011, several individual student activity accounts have negative account balances. Some of these accounts historically have had operating deficits.

Recommendation

We recommend 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

We will begin doing this prior to the end of the fiscal year. Historically, it has been happening after the end of the fiscal year.

Conclusion

Response accepted.

14. 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.

15. 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.

In accordance with IAR 281-98.70, upon dissolution of a student activity, such as a graduating class, the surplus must be used to support other student activities in the Student Activity Fund. The District has not closed out student activity accounts for graduated classes (classes of 2008 through 2010).

Recommendation

The balances remaining in the graduated class accounts should be transferred to other student activity accounts.

Response and Corrective Action Planned

We will begin doing this prior to the end of the fiscal year. Historically, it has been happening after the end of the fiscal year.

Conclusion

Response accepted.

16. 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 management summarize its property records and record the results in the governmental activities.

Response and Corrective Action Planned

We will be hiring temporary employees to assist in tagging and locating all fixed assets in the building and ensuring the appropriate items are listed in our depreciation schedule. Our new software will house this information and track it going forward.

Conclusion

Response accepted.

17. Disbursements

During our audit, we noticed various items that were not in compliance with District procedures. There was 1 invoice out of 25 that the District paid sales tax. There were 3 checks out of 25 that did not have appropriate supporting documentation and no indication of account classification. After subsequent review it appeared all tested disbursements were appropriate expenditures of public funds. We also noted 1 of the 25 appeared to be paid twice due to no additional invoice being found for \$674.30.

Recommendation

We recommend the appropriate or designated person(s) review and authorize all invoices and supporting documents. Also all invoices should be marked paid at the time the checks are disbursed.

Response and Corrective Action Planned

We will be adding a step to our process to have one individual open and review invoices prior to the business manager logging them into accounts payable to allow for duplicate review for errors. This will be integrated as a process change with our new financial software.

Conclusion

Response accepted.

18. Credit Cards

During our audit, we reviewed 2 credit card statements and each statement was missing supporting documentation. After subsequent review it appeared all tested disbursements were appropriate expenditures of public funds.

Recommendation

We recommend more controls be put in place over credit card disbursements and all supporting documentation be attached to each statement.

Response and Corrective Action Planned

A credit card policy is in place and has been reviewed. The requirements have been reviewed with all staff and no credit card statements will be processed without all receipts or payment from the employee that did not turn in the receipt.

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 28, 2011