

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
CRESCO, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

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HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2011 election)		
Marilyn Reis	President	2011
Duane Bodermann	Vice President	2013
Jan Carman	Board Member	2011
Jeff Murphy	Board Member	2011
Karlos McClure	Board Member	2013
(After September 2011 election)		
Karlos McClure	President	2013
Duane Bodermann	Vice President	2013
Douglas Berg	Board Member	2015
Scott Fortune	Board Member	2015
James Kitchen	Board Member	2015
<u>School Officials</u>		
Dianne Anderson	Superintendent	2012
David Gaus	District Secretary/Treasurer and Business Manager	2012
Gruhn Law Firm	Attorney	Indefinite
Ahlers and Cooney PC	Attorney	Indefinite
Elwood, O'Donohoe, Braun and White, LLP	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Howard-Winneshiek Community School District:

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 Howard-Winneshiek Community School District, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Howard-Winneshiek Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, 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 February 27, 2013 on our consideration of Howard-Winneshiek Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 42 through 44 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, which considers it to be an essential part of the 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The District has omitted the Management's Discussion and Analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing 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 statement in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Howard-Winneshiek Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
February 27, 2013

Basic Financial Statements

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 7,103,660	\$ 269,213	\$ 7,372,873
Receivables:			
Property tax:			
Current year	78,704	-	78,704
Succeeding year	6,191,049	-	6,191,049
Income surtax	634,575	-	634,575
Accrued interest	790	-	790
Accounts	120,539	2,576	123,115
Due from other governments	411,380	26,397	437,777
Inventories	-	36,181	36,181
Capital assets, net of accumulated depreciation (note 4)	11,775,849	124,269	11,900,118
Total assets	26,316,546	458,636	26,775,182
Liabilities			
Accounts payable	389,103	8,505	397,608
Salaries and benefits payable	1,378,410	47,565	1,425,975
Accrued interest payable	61,054	-	61,054
Deferred revenue:			
Succeeding year property tax	6,191,049	-	6,191,049
Other	200	4,514	4,714
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	281,281	-	281,281
Bonds payable	420,000	-	420,000
Portion due after one year:			
Early retirement	556,712	-	556,712
Bonds payable	2,600,000	-	2,600,000
Net OPEB liability	226,000	-	226,000
Total liabilities	12,103,809	60,584	12,164,393

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 8,755,849	\$ 124,269	\$ 8,880,118
Restricted for:			
Categorical funding (note 11)	208,944	-	208,944
Capital projects	1,602,314	-	1,602,314
Physical plant and equipment levy purposes	883,734	-	883,734
Debt service	643,154	-	643,154
Student activities	367,174	-	367,174
Unrestricted	<u>1,751,568</u>	<u>273,783</u>	<u>2,025,351</u>
 Total net assets	 <u>\$ 14,212,737</u>	 <u>\$ 398,052</u>	 <u>\$ 14,610,789</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 9,482,136	\$ 375,740	\$ 1,662,445	\$ -
Support services:				
Student services	328,053	202,813	8,667	-
Instructional staff services	593,998	-	6,500	-
Administration services	1,214,729	-	1,417	-
Operation and maintenance of plant services	1,086,086	36,358	-	-
Transportation services	1,094,649	326,543	59,158	-
	<u>4,317,515</u>	<u>565,714</u>	<u>75,742</u>	<u>-</u>
Non-instructional programs	<u>11,651</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	210,144	-	-	72,595
Long-term debt interest and fiscal charges	142,041	-	-	-
AEA flowthrough	545,142	-	545,142	-
Depreciation (unallocated) *	472,927	-	-	-
	<u>1,370,254</u>	<u>-</u>	<u>545,142</u>	<u>72,595</u>
Total governmental activities	<u>15,181,556</u>	<u>941,454</u>	<u>2,283,329</u>	<u>72,595</u>

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (7,443,951)	\$ -	\$ (7,443,951)
(116,573)	-	(116,573)
(587,498)	-	(587,498)
(1,213,312)	-	(1,213,312)
(1,049,728)	-	(1,049,728)
(708,948)	-	(708,948)
<u>(3,676,059)</u>	-	<u>(3,676,059)</u>
<u>(11,651)</u>	-	<u>(11,651)</u>
(137,549)	-	(137,549)
(142,041)	-	(142,041)
-	-	-
<u>(472,927)</u>	-	<u>(472,927)</u>
<u>(752,517)</u>	-	<u>(752,517)</u>
<u>(11,884,178)</u>	-	<u>(11,884,178)</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Support services:				
Administration services	\$ 2,329	\$ -	\$ -	\$ -
Operation and maintenance of plant services	1,411	-	-	-
	<u>3,740</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs:				
Food service operations	732,884	393,123	439,259	42,592
	<u>736,624</u>	<u>393,123</u>	<u>439,259</u>	<u>42,592</u>
Total business-type activities				
	<u>736,624</u>	<u>393,123</u>	<u>439,259</u>	<u>42,592</u>
Total	\$ 15,918,180	\$ 1,334,577	\$ 2,722,588	\$ 115,187

General revenues:

- Property tax levied for:
 - General purposes
 - Capital outlay
- Income surtax
- Statewide sales, services and use tax
- Unrestricted state grants
- Unrestricted investment earnings
- Other

Total general revenues

Residual equity transfer

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ -	\$ (2,329)	\$ (2,329)
-	(1,411)	(1,411)
-	(3,740)	(3,740)
-	142,090	142,090
-	138,350	138,350
(11,884,178)	138,350	(11,745,828)
\$ 5,654,420	\$ -	\$ 5,654,420
213,759	-	213,759
660,914	-	660,914
1,118,408	-	1,118,408
6,037,721	-	6,037,721
27,068	30	27,098
121,756	-	121,756
13,834,046	30	13,834,076
20,982	(20,982)	-
1,970,850	117,398	2,088,248
12,241,887	280,654	12,522,541
\$ 14,212,737	\$ 398,052	\$ 14,610,789

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 3,310,308	\$ 2,337,618	\$ 1,455,734	\$ 7,103,660
Receivables:				
Property tax:				
Current year	68,160	2,829	7,715	78,704
Succeeding year	5,365,877	220,172	605,000	6,191,049
Income surtax	423,050	211,525	-	634,575
Accrued interest	-	-	790	790
Accounts	113,150	4,099	3,290	120,539
Due from other governments	235,213	176,167	-	411,380
Total assets	<u>\$ 9,515,758</u>	<u>\$ 2,952,410</u>	<u>\$ 2,072,529</u>	<u>\$ 14,540,697</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 333,901	\$ 28,190	\$ 27,012	\$ 389,103
Salaries and benefits payable	1,378,410	-	-	1,378,410
Deferred revenue:				
Succeeding year property tax	5,365,877	220,172	605,000	6,191,049
Other	423,250	211,525	-	634,775
Total liabilities	<u>7,501,438</u>	<u>459,887</u>	<u>632,012</u>	<u>8,593,337</u>
Fund balances:				
Restricted for:				
Categorical funding (note 11)	208,944	-	-	208,944
Revenue bonds	-	218,000	176,500	394,500
Revenue bonds sinking fund	-	-	271,054	271,054
Debt service	-	-	38,654	38,654
Management levy purposes	-	-	587,135	587,135
Student activities	-	-	367,174	367,174
School infrastructure	-	1,602,314	-	1,602,314
Physical plant and equipment	-	672,209	-	672,209
Unassigned	1,805,376	-	-	1,805,376
Total fund balances	<u>2,014,320</u>	<u>2,492,523</u>	<u>1,440,517</u>	<u>5,947,360</u>
Total liabilities and fund balances	<u>\$ 9,515,758</u>	<u>\$ 2,952,410</u>	<u>\$ 2,072,529</u>	<u>\$ 14,540,697</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2012

Total fund balances of governmental funds	\$ 5,947,360
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.	11,775,849
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	634,575
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(61,054)
Long-term liabilities, including early retirement, bonds payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,083,993)</u>
Net assets of governmental activities	<u>\$ 14,212,737</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 5,537,637	\$ 1,559,119	\$ 574,584	\$ 7,671,340
Tuition	280,217	-	-	280,217
Other	279,234	94,844	350,843	724,921
State sources	7,583,582	647	328	7,584,557
Federal sources	890,902	6,671	-	897,573
Total revenues	<u>14,571,572</u>	<u>1,661,281</u>	<u>925,755</u>	<u>17,158,608</u>
Expenditures:				
Current:				
Instruction	<u>9,047,938</u>	-	537,889	<u>9,585,827</u>
Support services:				
Student services	346,167	-	-	346,167
Instructional staff services	364,688	287,381	-	652,069
Administration services	1,209,144	7,457	78,574	1,295,175
Operation and maintenance of plant services	967,929	23,029	103,852	1,094,810
Transportation services	869,698	173,859	47,659	1,091,216
	<u>3,757,626</u>	<u>491,726</u>	<u>230,085</u>	<u>4,479,437</u>
Non-instructional programs	-	-	24,253	24,253
Other expenditures:				
Facilities acquisition	-	631,166	-	631,166
Long term debt:				
Principal	-	-	600,000	600,000
Interest and fiscal charges	-	-	151,307	151,307
AEA flowthrough	545,142	-	-	545,142
	<u>545,142</u>	<u>631,166</u>	<u>751,307</u>	<u>1,927,615</u>
Total expenditures	<u>13,350,706</u>	<u>1,122,892</u>	<u>1,543,534</u>	<u>16,017,132</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,220,866</u>	<u>538,389</u>	<u>(617,779)</u>	<u>1,141,476</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Residual equity transfer	\$ 20,982	\$ -	\$ -	\$ 20,982
Interfund transfers in (note 3)	-	-	745,211	745,211
Interfund transfers out (note 3)	-	(745,211)	-	(745,211)
Total other financing sources (uses)	<u>20,982</u>	<u>(745,211)</u>	<u>745,211</u>	<u>20,982</u>
Net change in fund balances	1,241,848	(206,822)	127,432	1,162,458
Fund balances beginning of year	<u>772,472</u>	<u>2,699,345</u>	<u>1,313,085</u>	<u>4,784,902</u>
Fund balances end of year	<u>\$ 2,014,320</u>	<u>\$ 2,492,523</u>	<u>\$ 1,440,517</u>	<u>\$ 5,947,360</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ 1,162,458

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, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

	Expenditures for capital assets	\$ 719,955	
	Depreciation expense	<u>(694,676)</u>	25,279

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. (27,184)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 600,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 9,266

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 the governmental funds, as follows:

	Early retirement	291,031	
	Net OPEB liability	<u>(90,000)</u>	<u>201,031</u>

Change in net assets of governmental activities \$ 1,970,850

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	<u>Enterprise</u> School Nutrition	<u>Internal</u> Service Flexible Benefits
Assets		
Cash and cash equivalents	\$ 269,213	\$ 3,760
Accounts receivable	2,576	-
Due from other governments	26,397	-
Inventories	36,181	-
Capital assets, net of accumulated depreciation (note 4)	<u>124,269</u>	<u>-</u>
Total assets	<u>458,636</u>	<u>3,760</u>
Liabilities		
Accounts payable	8,505	-
Salaries and benefits payable	47,565	-
Deferred revenue	<u>4,514</u>	<u>-</u>
Total liabilities	<u>60,584</u>	<u>-</u>
Net Assets		
Invested in capital assets	124,269	-
Unrestricted	<u>273,783</u>	<u>3,760</u>
Total net assets	<u>\$ 398,052</u>	<u>\$ 3,760</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 Year Ended June 30, 2012

	School Nutrition	Enterprise Nonmajor - Childcare	Total	Flexible Benefits
Operating revenues:				
Local sources:				
Charges for services	\$ 393,123	\$ -	\$ 393,123	\$ 30,203
Operating expenses:				
Support services:				
Administration services	2,329	-	2,329	-
Operation and maintenance of plant services	1,411	-	1,411	-
Non-instructional programs	732,884	-	732,884	28,644
	<u>736,624</u>	<u>-</u>	<u>736,624</u>	<u>28,644</u>
Operating income (loss)	(343,501)	-	(343,501)	1,559
Non-operating revenues:				
Interest on investments	30	-	30	1
Contributions	5,874	-	5,874	-
Capital contributions	42,592	-	42,592	-
State sources	6,749	-	6,749	-
Federal sources	426,636	-	426,636	-
Total non-operating revenues	<u>481,881</u>	<u>-</u>	<u>481,881</u>	<u>1</u>
Residual equity transfer	-	(20,982)	(20,982)	-
Change in net assets	138,380	(20,982)	117,398	1,560
Net assets beginning of year	<u>259,672</u>	<u>20,982</u>	<u>280,654</u>	<u>2,200</u>
Net assets end of year	<u>\$ 398,052</u>	<u>\$ -</u>	<u>\$ 398,052</u>	<u>\$ 3,760</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	School Nutrition	Enterprise Nonmajor - Childcare	Total	Internal Service Flexible Benefits
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 336,687	\$ -	\$ 336,687	\$ -
Cash received from miscellaneous operating activities	58,321	-	58,321	30,203
Cash payments to employees for services	(268,227)	-	(268,227)	-
Cash payments to suppliers for goods or services	(404,110)	-	(404,110)	(28,644)
Net cash provided by (used by) operating activities	<u>(277,329)</u>	<u>-</u>	<u>(277,329)</u>	<u>1,559</u>
Cash flows from non-capital financing activities:				
Contributions received	5,874	-	5,874	-
State grants received	6,749	-	6,749	-
Federal grants received	371,163	-	371,163	-
Residual equity transfer	-	(20,982)	(20,982)	-
Net cash provided by (used by) non-capital financing activities	<u>383,786</u>	<u>(20,982)</u>	<u>362,804</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	<u>(5,094)</u>	<u>-</u>	<u>(5,094)</u>	<u>-</u>
Cash flows from investing activities:				
Interest on investments	<u>30</u>	<u>-</u>	<u>30</u>	<u>1</u>
Net increase (decrease) in cash and cash equivalents	101,393	(20,982)	80,411	1,560
Cash and cash equivalents beginning of year	<u>167,820</u>	<u>20,982</u>	<u>188,802</u>	<u>2,200</u>
Cash and cash equivalents end of year	<u>\$ 269,213</u>	<u>\$ -</u>	<u>\$ 269,213</u>	<u>\$ 3,760</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	School Nutrition	Enterprise Nonmajor - Childcare	Total	Internal Service Flexible Benefits
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ (343,501)	\$ -	\$ (343,501)	\$ 1,559
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	13,771	-	13,771	-
Commodities used	53,073	-	53,073	-
Decrease in accounts receivable	3,506	-	3,506	-
(Increase) in inventories	(10,838)	-	(10,838)	-
Increase in accounts payable	2,992	-	2,992	-
Increase in salaries and benefits payable	5,289	-	5,289	-
(Decrease) in deferred revenue	(1,621)	-	(1,621)	-
Net cash provided by (used by) operating activities	<u>\$ (277,329)</u>	<u>\$ -</u>	<u>\$ (277,329)</u>	<u>\$ 1,559</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$53,073 of federal commodities and \$42,592 of contributed equipment.

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 June 30, 2012

	<u>Agency</u>
Assets:	
Cash and pooled investments	\$ <u>2,704</u>
Liabilities:	
Other payables	\$ <u>2,704</u>
See notes to financial statements.	

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

Howard-Winneshiek Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and preschool. The geographic area served includes the City of Cresco, Iowa, portions of the Cities of Ridgeway, Lime Springs, and Elma, Iowa, and agricultural territory in Howard and Winneshiek Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Howard-Winneshiek Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Howard-Winneshiek Community School 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 Howard and Winneshiek County Assessor's Conference Boards.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating 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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds 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 non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2012 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ -
Buildings	25,000
Improvements other than buildings	25,000
Intangibles	200,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	15-50 years
Improvements other than buildings	8-15 years
Furniture and equipment	3-20 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 for governmental funds consists of rent deposits, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue for governmental activities in the Statement of Net Assets consists of rent deposits and the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Deferred revenue for proprietary funds and business-type activities consists of unearned meal revenues.

Long-term Liabilities – 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.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2012.

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

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

Unassigned – All amounts not included in the preceding classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use 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.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures in the non-instructional programs function exceeded the amount budgeted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 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; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>466,770</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>745,211</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 720,404	\$ -	\$ -	\$ 720,404
Construction in progress	126,289	369,045	341,178	154,156
Total capital assets not being depreciated	846,693	369,045	341,178	874,560
Capital assets being depreciated:				
Buildings	16,026,666	-	-	16,026,666
Improvements other than buildings	693,203	341,178	-	1,034,381
Furniture and equipment	3,006,567	350,910	140,108	3,217,369
Total capital assets being depreciated	19,726,436	692,088	140,108	20,278,416
Less accumulated depreciation for:				
Buildings	6,105,390	415,525	-	6,520,915
Improvements other than buildings	414,521	68,424	-	482,945
Furniture and equipment	2,302,648	210,727	140,108	2,373,267
Total accumulated depreciation	8,822,559	694,676	140,108	9,377,127
Total capital assets being depreciated, net	10,903,877	(2,588)	-	10,901,289
Governmental activities capital assets, net	\$ 11,750,570	\$ 366,457	\$ 341,178	\$ 11,775,849
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 411,250	\$ 47,686	\$ 36,165	\$ 422,771
Less accumulated depreciation	320,896	13,771	36,165	298,502
Business-type activities capital assets, net	\$ 90,354	\$ 33,915	\$ -	\$ 124,269

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 4. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:	
Instruction	\$ 9,197
Support services:	
Administration services	15,409
Operation and maintenance of plant services	7,515
Transportation services	<u>189,628</u>
	221,749
Unallocated depreciation	<u>472,927</u>
Total governmental activities depreciation expense	\$ <u>694,676</u>
Business-type activities:	
Food service operations	\$ <u>13,771</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 1,129,024	\$ -	\$ 291,031	\$ 837,993	\$ 281,281
Revenue bonds	3,420,000	-	400,000	3,020,000	420,000
Capital lease purchase agreement	200,000	-	200,000	-	-
Net OPEB liability	136,000	90,000	-	226,000	-
Total	\$ 4,885,024	\$ 90,000	\$ 891,031	\$ 4,083,993	\$ 701,281

Early Retirement

The District offered a voluntary early retirement plan to employees for the year ended June 30, 2010 only.

Eligible employees had to be at least age fifty-five. Employees had to complete an application which was required to be approved by the Board of Education.

The early retirement benefit for each participating licensed teacher or administrator is equal to 50% of the employee's base salary for the final year of employment plus \$3,000 for each year of employment with the District up to a maximum of 25 years. The base salary does not include teacher quality, phase II, or extra-curricular salary. The early retirement benefit for each participating non-certified employee is equal to 50% of the employee's base salary for the final year of employment plus \$1,500 for each year of employment with the District up to a maximum of 25 years. The base salary does not include extra-curricular salary, overtime, or additional hours worked. Early retirement benefits will be paid into a tax deferred benefit plan in five equal annual payments.

Under a previous plan, the early retirement benefit for each eligible employee was equal to \$150 per month toward health insurance through the District until the retiree qualifies for Medicare.

At June 30, 2012, the District has obligations to twenty-four participants with a total liability of \$837,993.

Actual early retirement expenditures for the year ended June 30, 2012 totaled \$291,031. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2012 revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated August 1, 2007			
	Interest Rates	Principal	Interest	Total
2013	4.25 %	\$ 420,000	\$ 35,910	\$ 455,910
2014	4.30	420,000	18,060	438,060
Subtotal		840,000	53,970	893,970
Year Ending June 30,	Issue dated November 1, 2009			
	Interest Rates	Principal	Interest	Total
2013	- %	\$ -	\$ 86,198	\$ 86,198
2014	-	-	86,198	86,198
2015	-	-	86,198	86,198
2016	3.125	180,000	86,197	266,197
2017	3.375	190,000	80,572	270,572
2018	4.000	195,000	74,160	269,160
2019	4.000	205,000	66,360	271,360
2020	4.000	210,000	58,160	268,160
2021	4.000	220,000	49,760	269,760
2022	4.000	230,000	40,960	270,960
2023	4.200	240,000	31,760	271,760
2024	4.200	250,000	21,680	271,680
2025	4.300	260,000	11,180	271,180
Subtotal		2,180,000	779,383	2,959,383
Total		\$ 3,020,000	\$ 833,353	\$ 3,853,353

The District pledged future local option (statewide) sales and services tax revenues to repay the \$1,765,000 and \$2,180,000 bonds issued in August 2007 and November 2009, respectively. The bonds were issued for the purpose of financing school infrastructure. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2025. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 25 to 50 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$3,853,353. For the current year, principal of \$400,000 and interest of \$139,108 was paid on the bonds and total statewide sales and services tax revenues were \$1,118,408.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

The resolutions providing for the issuance of the local option sales and services tax revenue bonds include the following provisions:

- (a) The bonds will be redeemed from the future earnings of the local option sales and services tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- (b) A reserve will be maintained in the amount of \$394,500 to be used solely for the purpose of paying principal and interest in the event the local option sales and services tax revenues are not sufficient for that purpose.
- (c) Sufficient monthly deposits amounting to one twelfth of the next principal payment and one sixth of the next interest payment shall be made to the Sinking Fund for the purpose of making the bond principal and interest payments when due.
- (d) Any monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District participates in the Northeast Iowa Schools Insurance Trust (Trust), which is a cost-sharing multiple-employer plan, as authorized by Chapter 28E of the Code of Iowa. The Trust provides medical and dental insurance benefits for retirees and their spouses. There are 1,086 active and 151 retired members in the Trust. The District has 157 active and 14 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The 28E agreement provides that contribution requirements of plan members and the participating employees are established and may be amended by the officials of the Trust. Plan members or beneficiaries receiving benefits contribute differing amounts per month depending on 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.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 137,000
Interest on net OPEB obligation	3,000
Adjustment to annual required contribution	<u>(24,000)</u>
Annual OPEB cost	116,000
Contributions made	<u>(26,000)</u>
Increase in net OPEB obligation	90,000
Net OPEB obligation beginning of year	<u>136,000</u>
Net OPEB obligation end of year	<u><u>\$ 226,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$26,000 to the medical plan.

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, 2012 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 116,000	22.4%	\$ 226,000

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$880,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$880,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,140,000, and the ratio of the UAAL to covered payroll was 12.3%. As of June 30, 2012, 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.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Other Postemployment Benefits (OPEB) (continued)

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

As of the July 1, 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%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000 and applied on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

Note 7. Operating Lease

The District is obligated under a copier equipment lease accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations and, therefore, are not reflected on the District's Statement of Net Assets. The agreement provides for monthly lease payments of \$4,958 during the term of the lease.

The total lease payments under the lease agreement are as follows:

Year Ending June 30,	Amount
2013	\$ 59,492
2014	59,492
2015	<u>9,915</u>
	<u>\$ 128,899</u>

Total payments under the lease agreement for the year ended June 30, 2012 were \$59,492.

Note 8. Pension and Retirement Benefits

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

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 8. Pension and Retirement Benefits (continued)

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll for the year ended June 30, 2012. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$582,841, \$509,298, and \$528,290, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Howard-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.

Northeast Iowa Schools Insurance Trust

Health – Effective September 1, 1998 four school districts adopted a resolution to establish a 28E organization to provide an insurance plan for employee medical coverage. Since inception, eight new school districts have been added to and two school districts have left the trust for a total of ten districts currently participating in the plan. Effective July 1, 2009, the Trust switched to a fully insured health insurance plan with self-funding of the difference between the employee deductible and the deductible on the policy purchased.

Dental – The District has dental coverage insurance under this 28E organization for employee dental coverage. The District contributes to the self-insurance. Professional services through the plan for the participants are limited to a combined maximum payment of \$1,000 per member per calendar year.

The District's contributions to the Trust for the years ended June 30, 2012, 2011, and 2010 were \$1,750,468, \$1,781,536, and \$1,760,175, respectively, equal to the required contributions for each year. The total premiums paid into the Trust by all member Districts and retirees from July 1, 2010 to June 30, 2011 (latest available audited financial statements) were \$11,492,349.

Note 10. 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 \$545,142 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 11. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Returning dropouts and dropout prevention programs	\$ 23,288
Beginning teacher mentoring and induction	1,121
Market factor	10,483
Iowa Early Intervention Block Grant	9,940
Textbook aid for nonpublic students	2,505
Professional development for model core curriculum	72,846
Professional development	84,603
Market factor incentives	2,671
Empowerment professional development	<u>1,487</u>
 Total	 <u>\$ 208,944</u>

Note 12. Construction Commitments

The District has entered into a contract totaling \$1,016,245 for the Lime Springs Learning Center and Tornado Safe Room project. As of June 30, 2012, costs of \$25,245 had been incurred against the contract. The balance of \$991,000 remaining at June 30, 2012 will be paid as work on the project progresses.

Required Supplementary Information

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year Ended June 30, 2012

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 8,676,478	\$ 441,619	\$ 9,118,097	\$ 8,747,955	\$ 370,142
State sources	7,584,557	6,749	7,591,306	7,788,808	(197,502)
Federal sources	897,573	426,636	1,324,209	1,936,750	(612,541)
Total revenues	17,158,608	875,004	18,033,612	18,473,513	(439,901)
EXPENDITURES/EXPENSES:					
Instruction	9,585,827	-	9,585,827	10,335,000	749,173
Support services	4,479,437	3,740	4,483,177	5,386,967	903,790
Non-instructional programs	24,253	732,884	757,137	740,000	(17,137)
Other expenditures	1,927,615	-	1,927,615	3,461,593	1,533,978
Total expenditures/expenses	16,017,132	736,624	16,753,756	19,923,560	3,169,804
Excess (deficiency) of revenues over (under) expenditures/ expenses	1,141,476	138,380	1,279,856	(1,450,047)	2,729,903
Other financing sources, net/ Residual equity transfer	20,982	(20,982)	-	8,510	(8,510)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and residual equity transfers	1,162,458	117,398	1,279,856	(1,441,537)	2,721,393
Balance beginning of year	4,784,902	280,654	5,065,556	2,866,834	2,198,722
Balance end of year	\$ <u>5,947,360</u>	\$ <u>398,052</u>	\$ <u>6,345,412</u>	\$ <u>1,425,297</u>	\$ <u>4,920,115</u>

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the 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 function 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 ended June 30, 2012, expenditures in the non-instructional programs function exceeded the amount budgeted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2012

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)
2010	July 1, 2008	\$ -	\$ 1,022	\$ 1,022	0.0%	\$ 7,944	12.9%
2011	July 1, 2010	-	880	880	0.0%	7,169	12.3%
2012	July 1, 2010	-	880	880	0.0%	7,140	12.3%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>		
Assets				
Cash and pooled investments	\$ 579,420	\$ 390,106	\$ 486,208	\$ 1,455,734
Receivables:				
Property tax:				
Current year	7,715	-	-	7,715
Succeeding year	605,000	-	-	605,000
Accrued interest	-	790	-	790
Accounts	-	3,290	-	3,290
	<hr/>			
Total assets	<u>\$ 1,192,135</u>	<u>\$ 394,186</u>	<u>\$ 486,208</u>	<u>\$ 2,072,529</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 27,012	\$ -	\$ 27,012
Deferred revenue:				
Succeeding year property tax	605,000	-	-	605,000
Total liabilities	<u>605,000</u>	<u>27,012</u>	<u>-</u>	<u>632,012</u>
Fund balances:				
Restricted for:				
Revenue bonds	-	-	176,500	176,500
Revenue bonds sinking fund	-	-	271,054	271,054
Debt service	-	-	38,654	38,654
Management levy purposes	587,135	-	-	587,135
Student activities	-	367,174	-	367,174
Total fund balances	<u>587,135</u>	<u>367,174</u>	<u>486,208</u>	<u>1,440,517</u>
	<hr/>			
Total liabilities and fund balances	<u>\$ 1,192,135</u>	<u>\$ 394,186</u>	<u>\$ 486,208</u>	<u>\$ 2,072,529</u>

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	Special Revenue		Debt Service	Total
	Management Levy	Student Activity		
Revenues:				
Local sources:				
Local tax	\$ 574,584	\$ -	\$ -	\$ 574,584
Other	9,606	341,124	113	350,843
State sources	328	-	-	328
Total revenues	<u>584,518</u>	<u>341,124</u>	<u>113</u>	<u>925,755</u>
Expenditures:				
Current:				
Instruction	208,017	329,872	-	537,889
Support services:				
Administration services	78,574	-	-	78,574
Operation and maintenance of plant services	103,852	-	-	103,852
Transportation services	47,659	-	-	47,659
Non instructional programs	24,253	-	-	24,253
Other expenditures:				
Long term debt:				
Principal	-	-	600,000	600,000
Interest and fiscal charges	-	-	151,307	151,307
Total expenditures	<u>462,355</u>	<u>329,872</u>	<u>751,307</u>	<u>1,543,534</u>
Excess (deficiency) of revenues over (under) expenditures	122,163	11,252	(751,194)	(617,779)
Other financing sources:				
Interfund transfers in	-	-	745,211	745,211
Net change in fund balances	122,163	11,252	(5,983)	127,432
Fund balances beginning of year	<u>464,972</u>	<u>355,922</u>	<u>492,191</u>	<u>1,313,085</u>
Fund balances end of year	<u>\$ 587,135</u>	<u>\$ 367,174</u>	<u>\$ 486,208</u>	<u>\$ 1,440,517</u>

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,642,884	\$ 694,734	\$ 2,337,618
Receivables:			
Property tax:			
Current year	-	2,829	2,829
Succeeding year	-	220,172	220,172
Income surtax	-	211,525	211,525
Accounts	4,099	-	4,099
Due from other governments	176,167	-	176,167
Total assets	\$ 1,823,150	\$ 1,129,260	\$ 2,952,410
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,836	\$ 25,354	\$ 28,190
Deferred revenue:			
Succeeding year property tax	-	220,172	220,172
Other	-	211,525	211,525
Total liabilities	2,836	457,051	459,887
Fund balances:			
Restricted for:			
Revenue bonds	218,000	-	218,000
School infrastructure	1,602,314	-	1,602,314
Physical plant and equipment	-	672,209	672,209
Total fund balances	1,820,314	672,209	2,492,523
Total liabilities and fund balances	\$ 1,823,150	\$ 1,129,260	\$ 2,952,410

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2012

	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 1,118,408	\$ 440,711	\$ 1,559,119
Other	89,994	4,850	94,844
State sources	527	120	647
Federal sources	6,671	-	6,671
Total revenues	<u>1,215,600</u>	<u>445,681</u>	<u>1,661,281</u>
Expenditures:			
Current:			
Support services:			
Instructional staff services	228,979	58,402	287,381
Administration services	7,457	-	7,457
Operation and maintenance of plant services	-	23,029	23,029
Transportation services	171,810	2,049	173,859
Other expenditures:			
Facilities acquisition	558,252	72,914	631,166
Total expenditures	<u>966,498</u>	<u>156,394</u>	<u>1,122,892</u>
Excess of revenues over expenditures	249,102	289,287	538,389
Other financing uses:			
Interfund transfers out	<u>(540,611)</u>	<u>(204,600)</u>	<u>(745,211)</u>
Net change in fund balances	(291,509)	84,687	(206,822)
Fund balances beginning of year	<u>2,111,823</u>	<u>587,522</u>	<u>2,699,345</u>
Fund balances end of year	<u>\$ 1,820,314</u>	<u>\$ 672,209</u>	<u>\$ 2,492,523</u>

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 9,587	\$ 115,775	\$ 131,082	\$ (5,720)
Business Club	244	-	-	244
Class of 2011	950	-	-	950
Class of 2012	4,238	30	-	4,268
Class of 2013	-	684	784	(100)
Concessions	770	4,567	3,134	2,203
Crest Newspaper	994	-	33	961
Crestco Elementary Activity	27,044	53,780	50,335	30,489
Junior High Yearbook	192	2,203	2,267	128
Elma Elementary	9,033	577	619	8,991
Future Farmers of America - FFA	102,406	64,688	56,302	110,792
High School Cheerleaders	-	13,373	11,888	1,485
High School Drama	4,331	3,198	3,638	3,891
High School Speech	-	250	-	250
High School Student Clubs	147	-	55	92
High School Student Council	1,112	10,292	9,809	1,595
Horticulture Club	1,823	2,224	1,953	2,094
Instrumental Music	6,211	6,222	5,052	7,381
Junior High Drama	3,935	1,405	517	4,823
Junior High Music	21,657	12,074	7,838	25,893
Junior High Student Council	86	6,397	6,487	(4)
Junior High Cheerleaders	1,704	1,298	1,042	1,960
Language Club	277	-	-	277
Lime Springs Elementary	15,603	4,089	2,679	17,013
Lime Springs Garden	-	385	-	385
Magazine Sales	10,456	10,543	10,836	10,163
National Honor Society	605	-	599	6
Picture Money	1,726	206	241	1,691
Ridgeway Elementary	2,439	-	-	2,439
Robe Fund	1,771	-	232	1,539
Unallocated Interest Income	86,557	1,866	1,051	87,372
Vocal Music	33,484	12,158	12,182	33,460
Yearbook	2,976	11,572	8,300	6,248
SADD	101	-	-	101
Wellness Fair - Luther	-	1,268	678	590
Honor Roll	3,463	-	239	3,224
Total	\$ 355,922	\$ 341,124	\$ 329,872	\$ 367,174

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2012

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 5,526	\$ 6,729	\$ 9,551	\$ 2,704
Liabilities				
Accounts payable	\$ 33	\$ -	\$ 33	\$ -
Other payables	5,493	6,729	9,518	2,704
Total liabilities	<u>\$ 5,526</u>	<u>\$ 6,729</u>	<u>\$ 9,551</u>	<u>\$ 2,704</u>

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis Years Ended June 30,			
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues:				
Local sources:				
Local tax	\$ 7,671,340	\$ 7,209,612	\$ 6,577,455	\$ 6,821,984
Tuition	280,217	215,829	319,924	227,553
Other	724,921	730,909	699,332	838,776
State sources	7,584,557	7,126,600	6,289,365	7,522,536
Federal sources	897,573	948,442	1,423,069	562,688
	<hr/>			
Total revenues	<u>\$ 17,158,608</u>	<u>\$ 16,231,392</u>	<u>\$ 15,309,145</u>	<u>\$ 15,973,537</u>
Expenditures:				
Instruction	\$ 9,585,827	\$ 9,203,216	\$ 9,438,459	\$ 9,446,490
Support services:				
Student services	346,167	308,468	381,992	445,080
Instructional staff services	652,069	498,324	747,430	565,222
Administration services	1,295,175	1,304,088	1,339,120	1,370,113
Operation and maintenance of plant services	1,094,810	1,189,005	1,229,526	1,333,747
Transportation services	1,091,216	994,951	1,225,877	1,083,458
Non-instructional programs	24,253	25,141	32,461	25,615
Other expenditures:				
Facilities acquisition	631,166	158,279	906,176	1,001,601
Long-term debt:				
Principal	600,000	645,000	995,000	996,364
Interest and fiscal charges	151,307	194,239	185,572	167,855
AEA flowthrough	545,142	594,473	578,150	534,196
	<hr/>			
Total expenditures	<u>\$ 16,017,132</u>	<u>\$ 15,115,184</u>	<u>\$ 17,059,763</u>	<u>\$ 16,969,741</u>

See accompanying independent auditor's report.

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 6,812,672	\$ 6,378,914	\$ 6,087,320	\$ 5,996,093
204,089	247,706	184,356	198,164
729,046	759,814	700,910	704,802
7,066,374	6,681,279	6,544,167	6,488,279
984,220	798,154	627,384	834,432
<u>\$ 15,796,401</u>	<u>\$ 14,865,867</u>	<u>\$ 14,144,137</u>	<u>\$ 14,221,770</u>
\$ 8,546,096	\$ 8,247,963	\$ 8,031,145	\$ 7,657,561
522,259	484,839	467,585	621,567
452,757	604,306	503,050	560,822
1,407,458	1,290,720	1,191,906	1,180,804
1,258,183	1,170,965	1,142,621	1,138,546
973,684	783,180	781,515	710,992
9,324	25,399	16,509	20,168
2,446,356	812,778	235,986	604,332
923,636	737,457	625,472	703,001
191,055	155,746	180,759	209,629
515,279	485,091	467,927	466,256
<u>\$ 17,246,087</u>	<u>\$ 14,798,444</u>	<u>\$ 13,644,475</u>	<u>\$ 13,873,678</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Specialty Crop Block Grant Program - Farm Bill	10.169	FY 12	\$ <u>350</u>
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 12	50,531
National School Lunch Program	10.555	FY 12	290,369
National School Lunch Program (non-cash)	10.555	FY 12	53,073
Summer Food Service Program for Children	10.559	FY 12	<u>26,397</u>
			<u>420,370</u>
Team Nutrition Grants	10.574	FY 12	<u>500</u>
Fresh Fruit and Vegetable Program	10.582	FY 12	<u>5,766</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	SINA	3,764
Title I Grants to Local Educational Agencies	84.010	3029G	203,052
Title I Grants to Local Educational Agencies	84.010	3029GC	<u>46,518</u>
			<u>253,334</u>
Improving Teacher Quality State Grants	84.367	FY 12	<u>64,850</u>
Grants for State Assessments and Related Activities	84.369	FY 11	373
Grants for State Assessments and Related Activities	84.369	FY 12	<u>8,294</u>
			<u>8,667</u>
Education Jobs Fund	84.410	FY 11	276,953
Education Jobs Fund	84.410	FY 12	<u>4,099</u>
			<u>281,052</u>
Keystone Area Education Agency:			
Special Education - Grants to States	84.027	FY 12	<u>77,871</u>
Career and Technical Education - Basic Grants to States	84.048	FY 12	<u>1,965</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Hazard Mitigation Grant	97.039	HMGP- DR-1854	<u>6,671</u>
Total			<u>\$ <u>1,121,396</u></u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Howard-Winneshiek Community School District and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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 of
Howard-Winneshiek Community School District:

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 Howard-Winneshiek Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 27, 2013. 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

The management of Howard-Winneshiek Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Howard-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 Howard-Winneshiek Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Howard-Winneshiek Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the 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 combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 and II-B-12 to be material weaknesses.

A significant deficiency is a deficiency, or 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. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-12 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Howard-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. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Howard-Winneshiek Community School District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Howard-Winneshiek Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Howard-Winneshiek Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Howard-Winneshiek Community School District and other parties to whom Howard-Winneshiek Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Howard-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.

Oskaloosa, Iowa
February 27, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of
Howard-Winneshiek Community School District:

Compliance

We have audited Howard-Winneshiek Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Howard-Winneshiek Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Howard-Winneshiek Community School District's management. Our responsibility is to express an opinion on Howard-Winneshiek Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Howard-Winneshiek Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Howard-Winneshiek Community School District's compliance with those requirements.

In our opinion, Howard-Winneshiek Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Howard-Winneshiek Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Howard-Winneshiek Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Howard-Winneshiek Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a significant deficiency.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or 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. We consider the deficiency described in Part III of the accompanying Schedule of Findings and Questioned Costs as item III-A-12 to be a significant deficiency.

Howard-Winneshiek Community School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's response, we did not audit Howard-Winneshiek Community School District's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Howard-Winneshiek Community School District and other parties to whom Howard-Winneshiek Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
February 27, 2013

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.559 – Summer Food Service Program for Children
 - CFDA Number 84.410 – Education Jobs Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Howard-Winneshiek Community School District did not qualify as a low-risk auditee.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-12 Bank Reconciliation – We noted that bank reconciliations were prepared for the General and Management Levy Funds bank account but were reconciled to the general ledger fund balance accounts instead of cash. The resulting difference was never investigated or corrected. In addition, the bank reconciliations for the Capital Projects and Debt Service Funds bank accounts were only done sporadically throughout the year, were reconciled to the general ledger fund balance accounts instead of cash, and the resulting differences were never investigated or corrected. Also, no bank reconciliations were done for the Internal Service Fund during the year. This led to posting errors remaining undetected and many unrecorded transactions. We noted \$96,492 of outstanding checks on the bank reconciliation that had already cleared the bank, \$229,068 of payments that should have been included as outstanding items but were not, and \$445,384 of receipts that were deposited to the wrong bank account. We also noted that \$43,849 of bond payments were recorded twice, \$77,900 of health insurance payments were not recorded, \$109,617 of revenues were not recorded, and no Internal Service Fund expenses were recorded during the year. Adjusting journal entries have been made to the general ledger to record and correct these items.

Recommendation – All bank accounts should be reconciled and tied to the general ledger cash accounts each month. Any differences should be investigated and corrected in a timely manner. This would allow the District to timely detect and correct errors or omissions and would provide accurate and reliable financial information of the District throughout the year for the Board of Education’s management decisions.

Response – Bank reconciliations for all accounts will be tied to the general ledger cash accounts in the future. Any differences will be investigated and corrected timely.

Conclusion – Response accepted.

II-B-12 Financial Reporting – During the audit, we identified material amounts of revenues, expenditures, receivables, and capital assets additions and disposals not recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all revenues, expenditures, receivables, and capital assets additions and disposals are identified and included in the District’s financial statements.

Response – We will double check these in the future to avoid missing any revenues, expenditures, receivables, or capital asset transactions.

Conclusion – Response accepted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part II: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

II-C-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, the posting of the cash receipts to the cash receipts journal, and all payroll activity were all done by the same person in the various funds.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will review the recommendation and look to improve in areas where possible.

Conclusion – Response accepted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program and
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2012
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.410: Education Jobs Fund
Federal Award Years: 2011 and 2012
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-12 Segregation of Duties – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that all payroll activity is performed by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will review this recommendation and look to improve in areas where possible.

Conclusion – Response accepted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting:

IV-A-12 Certified Budget – Expenditures for the year ended June 30, 2012, exceeded the amount budgeted in the non-instructional programs function.

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

Response – We will amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

IV-B-12 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-12 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-12 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Rachelle McAllister, daughter of Board President Karlos McClure	Teacher	\$58,376
Kelly Bodermann, spouse of Board Vice-President Duane Bodermann	Teacher associate	\$13,692

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions appear to represent a conflict of interest since the cumulative amount was more than \$2,500 for the fiscal year for each person

Recommendation – The District should document that the Board members had no affect in the hiring process of their spouse and daughter. However, the limited availability of these services due to the smaller size of the District contributes to the arms-length status of these transactions.

Response – We will properly document the arms-length status of these transactions in the future.

Conclusion – Response accepted.

IV-E-12 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

IV-F-12 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-G-12 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-12 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-12 Deposits and Investments – No instances of non-compliance 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.
- IV-J-12 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely. However, we noted significant deficiencies in the amounts reported in the Capital Projects, Statewide Sales, Services and Use Tax Fund.

Recommendation – The District should report the \$179,537 difference in the Capital Projects, Statewide Sales, Services and Use Tax Fund as an upward auditor’s adjustment to the beginning balance in the general ledger and Certified Annual Report for the year ending June 30, 2013.

Response – We will make the appropriate adjustments in next year’s general ledger and Certified Annual Report.

Conclusion – Response accepted.

- IV-K-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-L-12 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 2,111,823
Revenues:		
Sales tax revenues	\$ 1,118,408	
Interest	24,597	
Other local revenues	65,397	
State grants	527	
Federal grants	6,671	1,215,600
Expenditures/transfers out:		
School infrastructure construction	503,499	
Equipment	440,342	
Other	22,657	
Transfers to other funds:		
Debt Service Fund	540,611	1,507,109
Ending balance		\$ 1,820,314

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.