

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

FINANCIAL REPORT

JUNE 30, 2012

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SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION AND SCHOOL OFFICIALS

Name	Title	Address	Term Expires
<u>Board of Education</u> (Before September 2011 Election)			
Allan Schmitt	President	Calmar, Iowa	September 2013
Brad Hertges	Member	Ossian, Iowa	September 2011
Robert Busch	Member	Fort Atkinson, Iowa	September 2011
Wendy Mihm-Herold	Member	Fort Atkinson, Iowa	September 2013
Arnie Kriener	Member	Ossian, Iowa	September 2013
<u>Board of Education</u> (After September 2011 Election)			
Allan Schmitt	President	Calmar, Iowa	September 2013
Don Schroeder	Member	Calmar, Iowa	September 2015
Robert Busch	Member	Fort Atkinson, Iowa	September 2015
Wendy Mihm-Herold	Member	Fort Atkinson, Iowa	September 2013
Arnie Kriener	Member	Ossian, Iowa	September 2013
<u>School Officials</u>			
Chris Hoover – Superintendent			
Amy Boothe – District Secretary/Treasurer			

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Winneshiek Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of South Winneshiek Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the governmental activities of South Winneshiek Community School District, as of June 30, 2012, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of business-type activities, each major fund, and the aggregate remaining fund information of South Winneshiek Community School District as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012, on our consideration of South Winneshiek Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information and funding progress for the retiree health plan on page 4 and pages 27 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
December 12, 2012

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

**Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2012**

Management of South Winneshiek Community School District provides this Management's Discussion and Analysis of South Winneshiek Community School District's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

FINANCIAL HIGHLIGHTS

In total, net assets increased by \$939,548. Net assets of governmental activities increased by \$945,259, which represented 12.92% increase from fiscal year 2011. Property taxes increased \$202,416 in the general fund and decreased \$61,917 in the management fund. Charge for services increased \$130,401 and operating grants increased \$46,936 from fiscal year 2011.

General fund revenues accounted for \$6,901,982 in revenue or 83.71% of all revenues. General fund expenditures accounted for \$6,335,587 in expenditures or 84.49% of all expenditures.

USING THE BASIC FINANCIAL STATEMENTS

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

The statement of net assets and statement of activities provide information about the activities of South Winneshiek Community School District as a whole and present an overall view of the District's finances and a longer-term view of those finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report South Winneshiek Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds with all other nonmajor funds presented in total in a single column. For South Winneshiek Community School District, the general fund, management levy-special revenue fund, physical plant and equipment levy-capital projects fund and statewide sales, services and use tax fund are the more significant funds.

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

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

Other supplementary information provides detailed information about the nonmajor funds.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The government-wide financial statements report information about the District as a whole using accounting methods similar to the accounting used by most private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS (CONTINUED)

Governmental Funds (Continued)

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

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

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

Proprietary Funds

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following is a summary perspective of the statement of net assets of the District as a whole. The South Winneshiek Community School District's net assets at the end of fiscal year 2012 totaled \$8,346,940.

	Condensed Statement of Net Assets							
	(Expressed in Thousands)							
	Governmental Activities		Business-type Activities		Total		Percent Change	
	2011	2012	2011	2012	2011	2012		
Current and other assets	\$ 5,838	\$ 6,039	\$ 70	\$ 81	\$ 5,908	\$ 6,120	3.59%	
Capital assets	8,933	6,268	33	31	8,966	6,299	-29.75%	
Total assets	14,771	12,307	103	112	14,874	12,419		
Long-term debt outstanding	328	516	-	-	328	516	57.32%	
Other liabilities	4,075	3,533	8	23	4,083	3,556	-12.91%	
Total liabilities	4,403	4,049	8	23	4,411	4,072		
Net assets								
Invested in capital assets, net of related debt	8,927	6,076	33	31	8,960	6,107	-31.84%	
Restricted	536	802	-	-	536	802	49.63%	
Unrestricted	905	1,380	62	58	967	1,438	48.71%	
Total net assets	\$ 10,368	\$ 8,258	\$ 95	\$ 89	\$ 10,463	\$ 8,347		

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following analysis shows the change in net assets for the year ending June 30, 2012:

	Changes in Net Assets (Expressed in Thousands)							Percent Change
	Governmental Activities		Business-type Activities		Total			
	2011	2012	2011	2012	2011	2012		
Revenues:								
Program revenue								
Charges for service	\$ 686	\$ 824	\$ 173	\$ 180	\$ 859	\$ 1,004		16.88%
Operating grants	1,335	1,382	136	153	1,471	1,535		4.35%
General revenue								
Property taxes	2,733	2,884	-	-	2,733	2,884		5.53%
Sales tax and surtax	667	686	-	-	667	686		2.85%
Unrestricted state grants	2,235	2,461	-	-	2,235	2,461		10.11%
Unrestricted investment earnings	13	13	-	-	13	13		0.00%
Gain (loss) on the sale of capital assets	3	-	-	-	3	-		-100.00%
Other revenue	-	2	-	-	-	2		
Total revenues	<u>7,672</u>	<u>8,252</u>	<u>309</u>	<u>333</u>	<u>7,981</u>	<u>8,585</u>		
Program expenses:								
Instruction	4,553	4,861	-	-	4,553	4,861		6.76%
Student support	1,667	1,763	-	-	1,667	1,763		5.76%
Non-instructional programs	1	1	-	-	1	1		100%
Other expenses	634	681	296	339	930	1,020		9.68%
Total expenses	<u>6,855</u>	<u>7,306</u>	<u>296</u>	<u>339</u>	<u>7,151</u>	<u>7,645</u>		
Increase (decrease) in net assets	817	946	13	(6)	830	940		13.25%
Net assets Beginning of Year (restated)	<u>9,551</u>	<u>7,312</u>	<u>82</u>	<u>95</u>	<u>9,633</u>	<u>7,407</u>		-23.11%
Net assets End of Year	<u>\$ 10,368</u>	<u>\$ 8,258</u>	<u>\$ 95</u>	<u>\$ 89</u>	<u>\$ 10,463</u>	<u>\$ 8,347</u>		

INDIVIDUAL FUND ANALYSIS

As the District completed the year, its governmental funds reported a combined fund balance of \$2,504,893, a \$746,361 increase of the 2011 fiscal year end balance of \$1,758,532.

- The general fund received more revenue during fiscal year 2012 through federal sources and state sources. The general fund expenditures increased for instruction by 6.92% and decreased for support services by 1.58%. The ending fund balance of \$1,794,307 showed an increase of \$566,395 from the prior year balance of \$1,227,912.
- The management levy fund balance decreased by \$55,372 for fiscal year 2012.
- The physical plant and equipment levy (PPEL) fund balance increased \$71,772 during fiscal year 2012. The District increased spending from the PPEL fund to reduce expenditures in the general fund as permitted by law.
- The statewide sales, services and use tax fund balance increased by \$190,105 due to increase in spending for capital projects that took place during the fiscal year.

BUDGETARY HIGHLIGHTS

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

The following chart shows the original and amended budget for fiscal 2012 as well as the actual revenue and expenditures for the year:

		Budgetary Comparison Schedule (Expressed in Thousands)			
		Actual Basis	Budget Amounts		Variance
			Original	Final	
Revenues					
Local sources	\$	4,577	\$ 4,308	\$ 4,308	\$ 269
Intermediate sources		-	5	5	(5)
State sources		3,413	3,779	3,779	(366)
Federal sources		596	473	473	123
Total revenues		\$ 8,586	\$ 8,565	\$ 8,565	\$ 21
Expenditures					
Instruction	\$	4,919	\$ 5,465	\$ 5,465	\$ 546
Student support		1,764	2,089	2,089	325
Non-instructional programs		340	314	325	(15)
Other expenses		822	480	480	(342)
Total expenditures		\$ 7,845	\$ 8,348	\$ 8,359	\$ 514

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2012, South Winneshiek Community School District had \$6,267,897 invested in a broad range of capital assets, including buildings, land and equipment for the governmental activities. For the enterprise funds, the District had \$31,245 invested in equipment in the school nutrition fund. The District is still in the process of recording all capital assets.

The District is continuing the ongoing project of establishing the policy to calculate depreciation expense for the governmental activities. The District had depreciation expense of \$142,429 for fiscal year 2012 and total accumulated depreciation of \$1,924,684 as of June 30, 2012 for the governmental activities. The District had depreciation expense of \$6,188 for fiscal year 2012 and total accumulated depreciation of \$116,909 as of June 30, 2012 for the business-type activities. The restatement in net assets is due to the building assets being identified and depreciation updated. Partial depreciation has been calculated for the equipment, but is still being worked on. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Debt

At year-end, the District had \$346,871 in debt compared to \$191,065 last year. More detail is presented in Note 5 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt that districts can issue to 5 percent of the assessed value of all taxable property within the District's corporate limits. The District's outstanding general obligation debt is significantly below this \$9,621,216 limit.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The only additional economic factor we have noted is an unusually large amount of teachers/employees that are currently on long-term sick leave. We anticipate that our increased salary costs may be as much as 10% of our current unspent balance from last year.
- For FY13, federal grant dollars given to the District have been reduced. We no longer receive funding from Ed Jobs which was approximately \$125,000. We are also facing potential federal sequestration of funds which could impact us around 10% across the board of all federal funding.
- We have had an enrollment drop of approximately 20 students that will impact us in next year's funding. Education Reform may affect us from a financial perspective, but not enough details are known yet. Also, the Affordable Care Act will increase our healthcare costs. Without changes, it could be \$100,000 impact annually.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2012

EXHIBIT A

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments			
Other	\$ 3,032,763	\$ 71,839	\$ 3,104,602
Receivables			
Property tax			
Delinquent	35,460		35,460
Succeeding year	2,602,566		2,602,566
Accounts	123,111		123,111
Due from other governments	245,137		245,137
Inventories		9,642	9,642
Capital assets, non-depreciable	239,809		239,809
Capital assets, net of accumulated depreciation	6,028,088	31,245	6,059,333
	<u>\$ 12,306,934</u>	<u>\$ 112,726</u>	<u>\$ 12,419,660</u>
LIABILITIES			
Accounts payable	\$ 178,728	\$ 8,325	\$ 187,053
Salaries and benefits payable	594,754	15,011	609,765
Deferred revenue			
Succeeding year property tax	2,602,566		2,602,566
Other	158,096		158,096
Long-term liabilities			
Portion due within one year			
Lease payable	61,059		61,059
Early retirement	67,539		67,539
Portion due after one year			
Lease payable	125,622		125,622
Early retirement	92,651		92,651
Net OPEB obligation	168,369		168,369
	<u>4,049,384</u>	<u>23,336</u>	<u>4,072,720</u>
NET ASSETS			
Invested in capital assets, net of related debt	6,076,216	31,245	6,107,461
Restricted for			
Capital projects	344,658		344,658
Management levy purposes	83,739		83,739
Physical plant and equipment	232,756		232,756
Debt service	5,000		5,000
Student activities	49,433		49,433
Other purposes	85,750		85,750
Unrestricted	1,379,998	58,145	1,438,143
	<u>8,257,550</u>	<u>89,390</u>	<u>8,346,940</u>
Total net assets	<u>\$ 12,306,934</u>	<u>\$ 112,726</u>	<u>\$ 12,419,660</u>
Total liabilities and net assets	<u>\$ 12,306,934</u>	<u>\$ 112,726</u>	<u>\$ 12,419,660</u>

See Notes to Financial Statements.

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SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
June 30, 2012

Functions and Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants
Governmental activities			
Instruction			
Regular instruction	\$ 2,925,870	\$ 514,420	\$ 980,517
Special instruction	969,065	10,829	89,881
Other instruction	965,554	13,594	4,439
	<u>4,860,489</u>	<u>538,843</u>	<u>1,074,837</u>
Support services			
Student services	175,782	263,760	
Instructional staff services	227,750		
Administration services	587,736		
Operation and maintenance plant services	421,226		
Transportation services	351,298	7,916	60,737
	<u>1,763,792</u>	<u>271,676</u>	<u>60,737</u>
Non-instructional			
	<u>1,264</u>	<u>12,821</u>	
Other			
Long-term debt interest	64,606		
Facilities acquisition	369,932		
AEA flowthrough	246,788		246,788
	<u>681,326</u>	<u>-</u>	<u>246,788</u>
Total governmental activities	7,306,871	823,340	1,382,362
Business-type activities			
Non-instructional programs			
Nutrition services	339,157	180,184	153,095
Total	<u>\$ 7,646,028</u>	<u>\$ 1,003,524</u>	<u>\$ 1,535,457</u>
General revenues			
Property taxes levied for			
General purposes			
Management			
PPEL			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net assets			
Net assets, beginning of year (restated)			
Net assets, end of year			

See Notes to Financial Statements.

EXHIBIT B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (1,430,933)		\$ (1,430,933)
(868,355)		(868,355)
(947,521)		(947,521)
(3,246,809)		(3,246,809)
87,978		87,978
(227,750)		(227,750)
(587,736)		(587,736)
(421,226)		(421,226)
(282,645)		(282,645)
(1,431,379)		(1,431,379)
11,557		11,557
(64,606)		(64,606)
(369,932)		(369,932)
-		-
(434,538)	\$ -	(434,538)
(5,101,169)	-	(5,101,169)
	(5,878)	(5,878)
(5,101,169)	(5,878)	(5,107,047)
2,657,596		2,657,596
110,030		110,030
116,391		116,391
686,362		686,362
2,460,954		2,460,954
13,195	167	13,362
1,900		1,900
6,046,428	167	6,046,595
945,259	(5,711)	939,548
7,312,291	95,101	7,407,392
\$ 8,257,550	\$ 89,390	\$ 8,346,940

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SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Special Revenue Management Levy	Capital Projects Physical Plant and Equipment Levy
ASSETS			
Cash and pooled investments			
Other	\$ 2,360,538	\$ 82,329	\$ 234,119
Receivables			
Property tax			
Delinquent	33,984		1,476
Succeeding year	2,131,952	350,000	120,614
Accounts	41,082	1,410	
Due from other governments	166,089		79,048
Total assets	\$ 4,733,645	\$ 433,739	\$ 435,257
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 133,584		\$ 2,839
Salaries and benefits payable	594,754		
Deferred revenue			
Succeeding year property tax	2,131,952	\$ 350,000	120,614
Other	79,048		79,048
Total liabilities	2,939,338	350,000	202,501
Fund balances			
Restricted for			
Other purposes	85,750		
Management levy purposes		83,739	
Student activities			
School infrastructure			
Physical plant and equipment			232,756
Unassigned	1,708,557		
Total fund balances	1,794,307	83,739	232,756
Total liabilities and fund balances	\$ 4,733,645	\$ 433,739	\$ 435,257

See Notes to Financial Statements.

EXHIBIT C

<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 306,344	\$ 49,433	\$ 3,032,763
		35,460
80,619		2,602,566
		123,111
		245,137
<u>\$ 386,963</u>	<u>\$ 49,433</u>	<u>\$ 6,039,037</u>
\$ 42,305		\$ 178,728
		594,754
		2,602,566
		158,096
<u>42,305</u>	<u>\$ -</u>	<u>3,534,144</u>
		85,750
		83,739
344,658	49,433	49,433
		344,658
		232,756
		1,708,557
<u>344,658</u>	<u>49,433</u>	<u>2,504,893</u>
<u>\$ 386,963</u>	<u>\$ 49,433</u>	<u>\$ 6,039,037</u>

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET ASSETS

Total governmental fund balances	\$	2,504,893
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds, net of accumulated depreciation of \$1,924,684		6,267,897
Other liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds		
Lease payable		(186,681)
Early retirement		(160,190)
Net OPEB obligation		(168,369)
Net assets of governmental activities per Exhibit A	\$	<u>8,257,550</u>

See Notes to Financial Statements.

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SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2012

	General	Special Revenue Management Levy	Capital Projects Physical Plant and Equipment Levy
REVENUES			
Local sources			
Local property tax	\$ 2,657,597	\$ 110,030	\$ 116,391
Tuition	226,614		
Other	162,341	705	93,789
State sources	3,409,559		
Federal sources	445,871		
Total revenues	6,901,982	110,735	210,180
EXPENDITURES			
Current			
Instruction			
Regular instruction	2,868,092	115,846	
Special instruction	969,065		
Other instruction	690,535		
	4,527,692	115,846	
Support services			
Student services	174,495	1,287	
Instructional staff services	74,062		153,688
Administration services	582,426	5,310	
Operation and maintenance plant services	388,015	33,211	
Transportation services	342,109	9,189	
	1,561,107	48,997	153,688
Non-instructional		1,264	
Other			
Long-term debt			
Principal			
Interest and fiscal charges			
Facilities acquisition			
AEA flowthrough	246,788		
	246,788	-	-
Total expenditures	6,335,587	166,107	153,688
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	566,395	(55,372)	56,492
OTHER FINANCING SOURCES (USES)			
Transfers in			15,280
Transfers (out)			
	-	-	15,280
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES	566,395	(55,372)	71,772
FUND BALANCE, beginning of year	1,227,912	139,111	160,984
FUND BALANCE, end of year	\$ 1,794,307	\$ 83,739	\$ 232,756

See Notes to Financial Statements.

EXHIBIT D

<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
		\$ 2,884,018
		226,614
\$ 765,474	\$ 263,760	1,286,069
		3,409,559
		445,871
<u>765,474</u>	<u>263,760</u>	<u>8,252,131</u>
		2,983,938
		969,065
	275,019	965,554
	<u>275,019</u>	<u>4,918,557</u>
		175,782
		227,750
		587,736
		421,226
		351,298
-	-	1,763,792
		<u>1,264</u>
	63,379	63,379
	1,227	1,227
510,763		510,763
		246,788
<u>510,763</u>	<u>64,606</u>	<u>822,157</u>
<u>510,763</u>	<u>339,625</u>	<u>7,505,770</u>
<u>254,711</u>	<u>(75,865)</u>	<u>746,361</u>
	49,326	64,606
(64,606)		(64,606)
<u>(64,606)</u>	<u>49,326</u>	<u>-</u>
190,105	(26,539)	746,361
154,553	75,972	1,758,532
<u>\$ 344,658</u>	<u>\$ 49,433</u>	<u>\$ 2,504,893</u>

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

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

Net change in fund balances - total governmental funds	\$	746,361
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.		
Depreciation	\$	(142,429)
Capital Outlays		533,320
		390,891
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Lease payable		(186,681)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Early retirement	\$	25,875
Net OPEB liability		(31,187)
		(5,312)
Change in net assets of governmental activities per Exhibit B	\$	945,259

See Notes to Financial Statements.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2012

	School Nutrition Fund
ASSETS	
CURRENT ASSETS	
Cash	\$ 71,839
Inventories	9,642
Total current assets	81,481
NONCURRENT ASSETS	
Furniture and equipment	148,154
Less accumulated depreciation	(116,909)
Total noncurrent assets	31,245
Total assets	\$ 112,726
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 8,325
Salaries and benefits payable	15,011
Total liabilities	23,336
NET ASSETS	
Invested in capital assets, net of related debt	31,245
Unrestricted	58,145
Total net assets	89,390
Total liabilities and net assets	\$ 112,726

See Notes to Financial Statements.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
For the Year Ended June 30, 2012

EXHIBIT F

	School Nutrition Fund
OPERATING REVENUES	
Local sources	
Charges for services	\$ 180,184
OPERATING EXPENSES	
Non-instructional programs	
Food service operations	
Salaries and benefits	175,215
Purchased services	131,899
Supplies	25,925
Depreciation	6,118
Total operating expenses	339,157
Operating loss	(158,973)
NONOPERATING REVENUES	
Interest on investments	167
State sources	2,952
Federal sources	150,143
Total nonoperating revenues	153,262
Change in net assets	(5,711)
Net assets, beginning of year	95,101
Net assets, end of year	\$ 89,390

See Notes to Financial Statements.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2012

	School Nutrition Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from sale of lunches and breakfasts	\$ 180,184
Cash payments to employees for services	(168,459)
Cash payments to vendors for goods and services	(98,121)
Cash payments to suppliers for goods and services	(31,605)
	(118,001)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State and federal grants received	127,642
	127,642
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of equipment	(4,550)
	(4,550)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	167
	5,258
CASH, beginning of year	66,581
CASH, end of year	\$ 71,839
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (158,973)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	6,118
Commodities used	25,453
Decrease in inventories	(5,680)
Decrease in accounts payable	8,325
Increase in salaries and benefits payable	6,756
	(118,001)

Non-cash, noncapital financing activities:

During the year ended June 30, 2012, the District received commodities valued at \$25,453.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

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

b. Significant Accounting Policies

Scope of Reporting Entity

For financial reporting purposes, South Winneshiek Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District; or the organization is fiscally dependent on the primary government. Also, any other organizations that due to the nature or significance of their relationship with the District should be included in the financial statements as component units. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

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

District-wide Financial Statements

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

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

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

b. Significant Accounting Policies (Continued)

Fund Financial Statements

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

The funds of the financial reporting entity are described below:

Governmental

General Fund

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

Management Levy-Special Revenue Fund

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

Capital Projects Funds

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

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

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

Proprietary Fund

Enterprise Fund

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

Measurement Focus

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

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

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

b. Significant Accounting Policies (Continued)

Measurement Focus (Continued)

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

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

Basis of Accounting

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

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

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

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

b. Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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

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

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

Assets, Liabilities and Equity

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

Cash and Investments

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

Property Tax Receivable

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents taxes collected by the County but not remitted to the school and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 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.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Equity (Continued)

Due from Other Governments

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

Inventories

Inventories are valued at cost using the first-in/first-out method. Inventories in the enterprise fund consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Capital assets in the proprietary fund are capitalized in the fund in which they are utilized. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$5,000 for governmental funds and \$500 for the school nutrition-proprietary fund. Management has begun the process to accumulate the information necessary to verify the historical cost of capital assets and determine the method or the estimated useful lives that the capital assets will be depreciated, but still needs to work to complete this information.

Salaries and Benefits Payable

Payroll and related expenditures or expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities. Also, wages for hourly employees earned in June and paid in July have been accrued as liabilities. The rate in effect at June 30, 2012 was used to calculate the salaries payable.

Deferred Revenue

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

Long-term Obligation

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Equity (Continued)

Compensated Absences

District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. In addition, employees are allowed to take early retirement if they meet certain qualifications set by the Board of Education. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012.

Fund Balance

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

Restricted

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

Committed

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

Unassigned

All amounts not included in other spendable classifications.

2. Deposits and Investments

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

NOTES TO FINANCIAL STATEMENTS

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2012:

Governmental		
General fund		
Transportation aid, non-public	\$	60,737
Income surtax		79,048
Vocational aid, state		4,439
Title I		21,865
		166,089
		166,089
PPEL		
Income surtax		79,048
		79,048
Total intergovernmental	\$	245,137
		245,137

4. Capital Assets

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

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Governmental activities				
Land	\$ 90,962			\$ 90,962
Construction in progress	None	\$ 148,847		148,847
	\$ 90,962	\$ 148,847		\$ 239,809
Capital assets subject to depreciation				
Buildings	\$ 4,434,686	\$ 68,199		\$ 4,502,885
Furniture and equipment	3,133,613	316,274		3,449,887
	7,568,299	384,473	\$ None	7,952,772
Less accumulated depreciation for:				
Buildings	1,782,255	142,429		1,924,684
Governmental activities				
Capital assets	\$ 5,786,044	\$ 242,044	\$ None	\$ 6,028,088
Business-type activities				
Furniture and equipment	\$ 143,604	\$ 4,550		\$ 148,154
Less accumulated depreciation	110,791	6,118		116,909
Business-type activities				
Capital assets, net	\$ 32,813	\$ (1,568)	\$ None	\$ 31,245

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

Governmental activities	
Facilities acquisition	\$ 142,429
	142,429
Business-type activities	
Food services	\$ 6,118
	6,118

NOTES TO FINANCIAL STATEMENTS

5. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Governmental activities					
Bonds					
General obligation	\$ 5,000		\$ 5,000	\$ None	\$ None
Other liabilities					
Lease payable		\$ 250,060	63,379	186,681	61,059
Early retirement	186,065	58,581	84,456	160,190	67,539
<hr/>					
Governmental activities					
Long-term liabilities	\$ 191,065	\$ 308,641	\$ 152,835	\$ 346,871	\$ 128,598

a. Early Retirement

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

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

At June 30, 2012, the District has obligations to eight participants with a total liability of \$160,190. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$152,835.

b. Bonded Indebtedness

There were no interest costs incurred and charged to expenses for the year ended June 30, 2012.

At June 30, 2012, the debt issued by the District did not exceed its legal debt margin compiled as follows:

Total assessed valuation	\$ 192,424,318
Debt limit – 5% of total assessed valuation	\$ 9,621,216
Debt applicable to debt limit	
Capital leases	(186,681)
Legal debt margin	\$ 9,434,535

NOTES TO FINANCIAL STATEMENTS

5. Long-term Debt Obligations (Continued)

c. Capital Leases

The District has leased several computers under capital leases. The following is a schedule of future minimum lease payments under the capital leases, together with the net present value of the minimum lease payments as of June 30, 2012.

Year Ending June 30,	Amount
2013	\$ 61,059
2014	62,220
2015	63,402
Minimum lease payments	\$ 186,681

6. Interfund Transfers

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

	Transfers In	Transfers Out
Capital projects SSSUT fund		\$ 64,606
Capital projects PPEL fund	\$ 15,280	
Debt service fund	49,326	
Total	\$ 64,606	\$ 64,606

7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$284,808, \$228,405, and \$224,886, respectively, equal to the required contributions for each year.

8. Cafeteria Plan

The District sponsors a Section 125 cafeteria plan as a part of its contractual obligation with its employees. Each participating employee must carry single health coverage. Additionally, participants may elect salary reduction to cover family health insurance, non-covered medical and dental expenses and day care. There were 78 participants in the plan for the plan year ended December 31, 2011.

9. Risk Management

South Winneshiek Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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 \$246,788 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.

11. Other Postemployment Benefits (OPEB)

Plan Description

As explained in Note 12, the District is a member of the Northeast Iowa Schools Insurance Trust (trust) which provides medical and prescription drug benefits for retirees and their spouses. South Winneshiek Community School District has 60 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

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	\$	36,973
Interest on net OPEB obligation		3,430
Adjustment to annual required contribution		<u>(2,591)</u>
Annual OPEB cost		37,812
Contributions made		<u>(6,625)</u>
Increase in net OPEB obligation		31,187
Net OPEB obligation beginning of year		<u>137,182</u>
Net OPEB obligation end of year	\$	<u><u>168,369</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year end June 30, 2012.

For the year ended June 30, 2012, the District contributed \$6,625 to the medical plan for the OPEB obligation. Plan members eligible for benefits contributed \$None of the premium costs for the OPEB obligation.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized below as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 52,028	0%	\$ 106,273
June 30, 2011	36,073	14.30%	137,182
June 30, 2012	36,973	17.91%	168,369

11. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2012, the actuarial accrued liability was \$368,770, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$368,770. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2.839 million, and the ratio of the UAAL to covered payroll was 12.13%. 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.

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

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

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

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

12. Employee Insurance Plan

Monthly payments of service fees and plan contributions are recorded as expenditures in the general fund at the time of payment to the Northeast Iowa Schools Insurance Trust (trust) maintained by Midwest Group Benefits Consultants, Inc. The trust's Board of Directors decided to terminate the self-funded health plans, effective July 1, 2009, and change to partially self-funded plans using fully insured health plans through Wellmark Blue Cross/Blue Shield. There were three new plans offered to the schools. The trust assumes liability for claims on its three plans as follows: Plan 1-between \$500 and \$5,000 for single coverage and \$1,000 and \$10,000 for family coverage, Plan 2-between \$1,000 and \$5,000 for single coverage and \$2,000 and \$10,000 for family coverage and Plan 3-between \$2,000 and \$5,000 for single coverage and \$4,000 and \$10,000 for family coverage. All plans include coinsurance and Plan 2 includes copayments. Claims in excess of the deductible are insured through the purchase of insurance. The District may be contingently liable for any claims in excess of funds available at June 30, 2012, since the pool arrangement allows the trust to make additional assessments to members. The District's share of the trust's liability for any unreported claim or assessment at June 30, 2012 was unavailable as of December 12, 2012. The District contributions to the trust for the years ended June 30, 2012, 2011, and 2010 were \$601,519, \$545,989, and \$430,871, respectively, which equaled the required contributions each year.

12. Employee Insurance Plan (Continued)

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the District's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance company coverage.

13. Contingencies

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government.

If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2012 significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

14. New Governmental Accounting Standards Board (GASB) Standards

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

Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this statement is to improve financial reporting for a governmental financial reporting entity.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; issued December 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011, will be effective for the fiscal year ending June 30, 2013. This statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB Statement 65, *Items Previously Classified as Assets and Liabilities*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. This statement reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflow of resources, and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement 66, *Technical Corrections – 2012*, an amendment of GASB Statements 10 and 62, issued March 2012, effective for the fiscal year ending June 30, 2014. The objective of this statement is to improve accounting and financial reporting for governmental entities by resolving conflicting guidance in GASB Statements 54 and 62, on risk financing activities and operating leases.

GASB Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, issued June 2012, will be effective for the fiscal year ended June 30, 2015. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions which are provided by other entities.

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

NOTES TO FINANCIAL STATEMENTS

15. Commitments

The District has entered into contracts totaling \$147,085 for various projects. These projects include science room and hallway remodel, District office carpet, new oven, and bus surveillance system. Of these commitments, \$None will be funded by state and federal grants.

16. Restatement

Beginning net assets were restated in the governmental funds, due to correction of recording capital assets of buildings, by a decrease of \$3,055,619 from the prior year. This is an ongoing project and only partial depreciation has been calculated for the equipment.

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SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE OF
REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
For the Year Ended June 30, 2012

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual
REVENUES			
Local sources	\$ 4,396,701	\$ 180,184	\$ 4,576,885
Intermediate sources			
State sources	3,409,559	3,119	3,412,678
Federal sources	445,871	150,143	596,014
Total revenues	8,252,131	333,446	8,585,577
EXPENDITURES/EXPENSES			
Instruction	4,918,557		4,918,557
Support services	1,763,792		1,763,792
Non-instructional	1,264	339,157	340,421
Other	822,157		822,157
Total expenditures/expenses	7,505,770	339,157	7,844,927
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	746,361	(5,711)	740,650
OTHER FINANCING SOURCES, NET	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES/EXPENSES AND OTHER FINANCING USES	746,361	(5,711)	740,650
FUND BALANCE, beginning of year	1,758,532	95,101	1,853,633
FUND BALANCE, end of year	\$ 2,504,893	\$ 89,390	\$ 2,594,283

See Notes to Required Supplementary Information.

Budget Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 4,307,746	\$ 4,307,746	\$ 269,139
5,195	5,195	(5,195)
3,779,280	3,779,280	(366,602)
473,153	473,153	122,861
<u>8,565,374</u>	<u>8,565,374</u>	<u>20,203</u>
5,465,000	5,465,000	546,443
2,088,905	2,088,905	325,113
313,875	325,000	(15,421)
479,972	479,972	(342,185)
<u>8,347,752</u>	<u>8,358,877</u>	<u>513,950</u>
217,622	206,497	534,153
-	-	-
217,622	206,497	534,153
<u>1,508,489</u>	<u>1,508,489</u>	<u>345,144</u>
<u>\$ 1,726,111</u>	<u>\$ 1,714,986</u>	<u>\$ 879,297</u>

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

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

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

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

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

During the year ended June 30, 2012, expenditures in the non-instructional and other functions exceeded the amount budgeted.

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

Fiscal Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 439	\$ 439	0.0%	\$ 3,192	13.75%
2010	July 1, 2008	-	\$ 449	\$ 449	0.0%	\$ 2,948	15.23%
2011	July 1, 2010	-	\$ 369	\$ 369	0.0%	\$ 2,839	13.00%
2012	July 1, 2010	-	\$ 369	\$ 369	0.0%	\$ 3,043	12.13%

See Note 11 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

INDEPENDENT AUDITOR'S REPORT
ON THE SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of South Winneshiek Community School District as of and for the year ended June 30, 2012, and our report thereon dated December 12, 2012, which expressed an unqualified opinion on the business-type activities, each major fund and the aggregate remaining fund information, appears on pages 2 through 3. Due to the District's lack of complete records of capital assets and related depreciation, we expressed an adverse opinion on the financial position and changes in financial position of the governmental activities. Our audit was performed for the purpose of forming opinions on such financial statements as a whole. The combining and individual nonmajor fund financial statements, comparative financial information and general fund revenue and expenditure analysis for 2012 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We also have previously audited, in accordance with U.S. generally accepted auditing standards, the financial statements of South Winneshiek Community School District as of and for the years ending June 30, 2003 through 2011, none of which is presented herein. Those audits were conducted for purposes of forming an opinion on the financial statements as a whole. We did not express an opinion on the governmental activities because we were unable to audit the historical cost of capital assets and depreciation expense for the years ending June 30, 2006 through 2011. We expressed unqualified opinions on the business-type activities, each major fund, and the aggregate remaining fund information for the years ending June 30, 2003 through 2011. The spending authority and estimated enrollment is presented for purposes of additional analysis and is not a required part of the financial statements. On page 38 the solvency ratio and page 39 the spending authority for fiscal year 2012 have not been audited and we express no opinion on them. On page 40 the estimated enrollment for fiscal year 2013 has not been audited and we express no opinion on it. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2003 through 2011 financial statements. The information has been subjected to the auditing procedures applied in the audits of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information set forth in the required supplementary information for each of the years in the period ended June 30, 2012, appearing on page 35 and pages 36 through 40, is fairly stated, in all material respects in relation to the financial statements from which it has been derived.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
December 12, 2012

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2012

	Special Revenue Student Activity	Debt Service	Total Nonmajor Governmental Funds
ASSETS			
Cash and pooled investments	\$ 49,433		\$ 49,433
Total assets	\$ 49,433	\$ -	\$ 49,433
LIABILITIES AND FUND BALANCES			
Liabilities			
Interest payable			\$ -
Bonds payable			-
Total liabilities	\$ -	\$ -	-
Fund balances			
Restricted for			
Student activities	49,433		49,433
Total fund balances	49,433	-	49,433
Total liabilities and fund balances	\$ 49,433	\$ -	\$ 49,433

See Independent Auditor's Report on the Supplementary Information.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2012

	Special Revenue Student Activity	Debt Service	Total Nonmajor Governmental Funds
REVENUES			
Local sources			
Other	\$ 263,760		\$ 263,760
Total revenues	263,760	\$ -	263,760
EXPENDITURES			
Current			
Instruction			
Other instruction	275,019		275,019
Other			
Long-term debt			
Principal		63,379	63,379
Interest and fiscal charges		1,227	1,227
Total expenditures	275,019	64,606	339,625
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(11,259)	(64,606)	(75,865)
OTHER FINANCING SOURCES			
Transfers in		49,326	49,326
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(11,259)	(15,280)	(26,539)
FUND BALANCE, beginning of year	60,692	15,280	75,972
FUND BALANCE, end of year	\$ 49,433	\$ -	\$ 49,433

See Independent Auditor's Report on the Supplementary Information.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 For the Year Ended June 30, 2012

	Balance June 30, 2011	Revenues	Expenditures	Adjustments	Balance June 30, 2012
Spanish Club	\$ 112				\$ 112
May Term	74	\$ 72,109	\$ 71,697	\$ (486)	-
German Club					-
Music, EI/MS	12	72	72	(12)	-
Music, Senior High	(2,202)	57	1,212	3,357	-
Other Fine Arts	(193)			193	-
National Honor Society	(914)		269	1,183	-
All Athletic	3,802	9,392	13,785	591	-
Football	6,278	16,709	8,563	(11,424)	3,000
Cross Country	(653)	2,941	3,757	1,469	-
Volleyball	1,450	4,974	4,104	(1,812)	508
Boys' Basketball	1,623	6,707	6,597	(1,415)	318
Girls' Basketball	2,745	9,536	7,525	(3,256)	1,500
Wrestling	(2,809)	10,388	11,897	4,318	-
Boys' Track	(2,982)	2,113	5,391	6,260	-
Girls' Track	(3,191)	1,533	5,091	6,749	-
Boys' Golf	(414)	551	970	833	-
Girls' Golf	(417)	527	980	870	-
Baseball	8	3,367	6,866	2,752	(739)
Softball	(1,007)	2,073	2,801	1,735	-
Cheerleaders, Senior High	6,830	4,788	4,802	(1,816)	5,000
All Fine Arts	(55)	104	102	55	2
Art Senior High	(1,096)	3,594	3,608	1,110	-
Student Council, Middle School	274			(74)	200
Student Council, Senior High	2,662	1,621	1,873	(2,379)	31
Yearbook	4,366	16,275	8,341	(300)	12,000
Band, Senior High	(3,305)	186	2,251	5,370	-
Flag Corp.	111	2,684	2,229	(166)	400
Choir, Senior High	(4,674)		80	4,754	-
Drama/Musical	6,056	7,116	3,871	(7,801)	1,500
Speech Activity and Debate	(3,666)		1,063	4,729	-
Drama Club	3,114			(1,586)	1,528
Activity Fee	4,925	4,125		(9,050)	-
Interest	(110)	155	50		(5)
Playground	6,130		6,130		-
Sub-totals	22,884	183,697	185,977	4,751	25,355

See Independent Auditor's Report on the Supplementary Information.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
For the Year Ended June 30, 2012

	Balance June 30, 2011	Revenues	Expenditures	Adjustments	Balance June 30, 2012
Sub-totals	\$ 22,884	\$ 183,697	\$ 185,977	\$ 4,751	\$ 25,355
Athletic Fee	1,726			(1,726)	-
Field Trips-Elem/MS	1,702	12,433	13,497		638
Food and Fitness	2,210	3,728	2,451	(38)	3,449
National Honor Society - CD	4,160				4,160
Field Trips-HS		500	533	33	-
Elementary	12,558	10,167	14,690	(2,095)	5,940
Classroom Computers, Elementary	644			(644)	-
ECSP	825			(825)	-
Class of 2010	2			(2)	-
Class of 2011	(33)	137		(104)	-
Class of 2012	1,018	2,362	2,868	(35)	477
Class of 2013	1,331	5,570	6,648		253
Class of 2014	57	2,192	385	2	1,866
Class of 2015	138	408	450	104	200
Pictures, Senior High	1,323	204		(1,527)	-
Resale	(1,425)	6,162	8,705	3,968	-
Middle School Activity	5,388	3,515	6,999	(1,309)	595
SODA	593	811	805	(299)	300
FFA	3,870	31,874	29,512	(1,232)	5,000
Industrial Arts	1,721			(521)	1,200
FFA-Scotland	-				-
AAC Cub	-				-
	<u>\$ 60,692</u>	<u>\$ 263,760</u>	<u>\$ 273,520</u>	<u>\$ (1,499)</u>	<u>\$ 49,433</u>

See Independent Auditor's Report on the Supplementary Information.

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

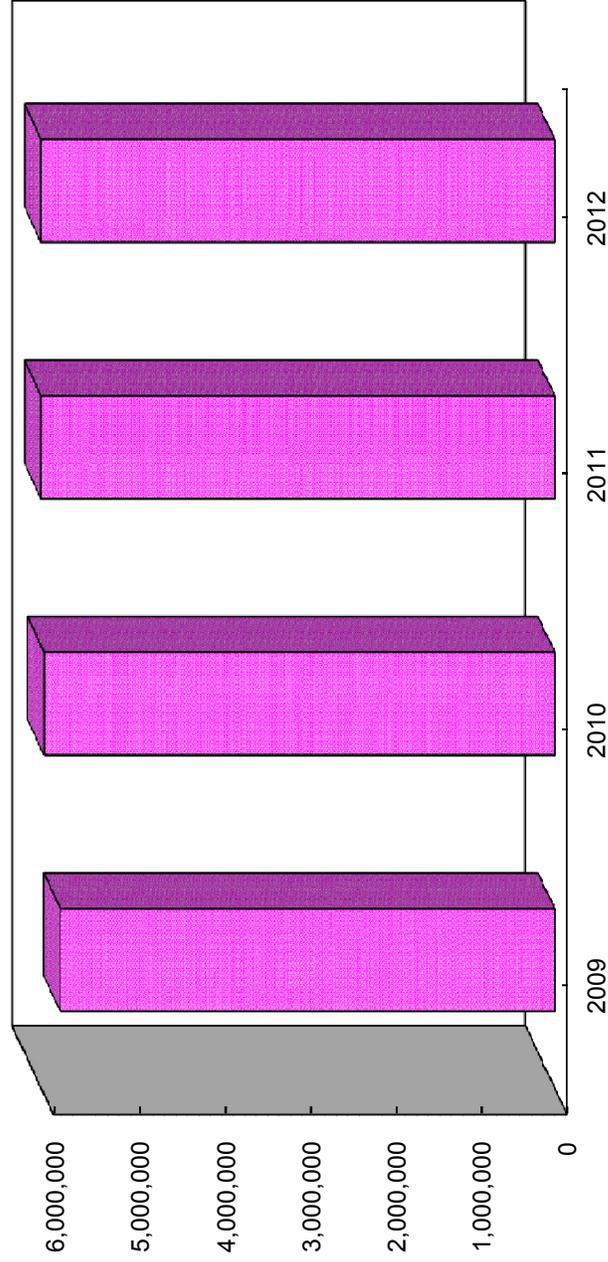
	2012	2011	2010	2009
REVENUES				
Local sources				
Local tax	\$ 2,884,018	\$ 2,733,055	\$ 2,583,190	\$ 2,410,317
Tuition	226,614	231,693	141,557	87,995
Other	1,286,069	1,115,461	1,100,917	1,116,511
Intermediate sources				
State sources	3,409,559	3,257,030	2,922,810	3,283,104
Federal sources	445,871	331,966	581,779	191,449
Total revenues	\$ 8,252,131	\$ 7,669,205	\$ 7,330,253	\$ 7,089,376
EXPENDITURES				
Current				
Instruction				
Regular instruction	\$ 2,983,938	\$ 2,825,428	\$ 2,740,582	\$ 2,640,003
Special instruction	969,065	816,684	766,563	865,792
Other instruction	965,554	976,074	965,005	795,982
Support services				
Student services	175,782	178,987	177,303	176,708
Instructional staff services	227,750	103,415	159,720	220,428
Administration services	587,736	583,037	593,083	608,015
Maintenance plant services	421,226	457,009	412,085	431,908
Transportation services	351,298	344,487	439,660	366,832
Non-instructional	1,264	1,364	1,464	351
Other				
Long-term debt				
Principal	63,379		225,000	210,000
Interest and fiscal charges	1,227		12,100	22,810
Facilities acquisition	510,763	774,791	646,322	385,725
AEA flowthrough	246,788	278,181	275,156	256,218
Total expenditures	\$ 7,505,770	\$ 7,339,457	\$ 7,414,043	\$ 6,980,772

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 4

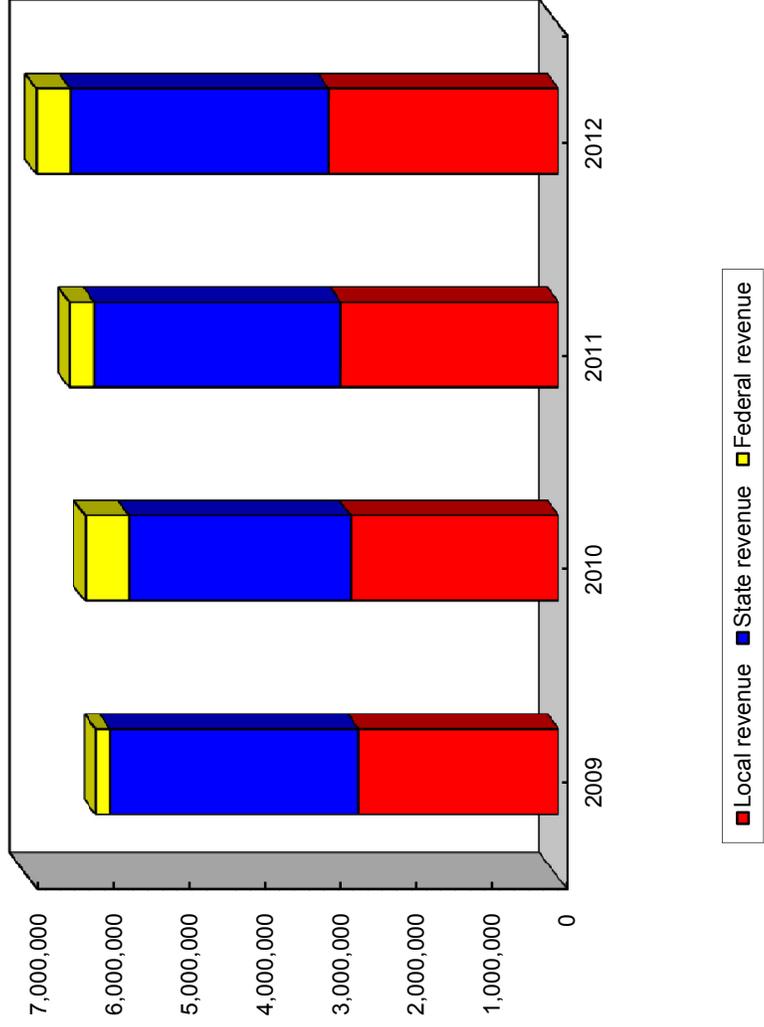
Modified Accrual					
2008	2007	2006	2005	2004	2003
\$ 2,229,013	\$ 2,117,458	\$ 2,261,697	\$ 2,165,155	\$ 2,624,957	\$ 2,551,566
87,176	49,310	85,372	86,313	72,205	78,294
1,068,364	1,103,752	862,243	935,610	415,363	479,521
				635	479
3,376,138	3,056,643	2,819,326	3,018,187	2,895,426	2,857,239
215,061	190,094	193,575	207,209	211,816	245,345
<u>\$ 6,975,752</u>	<u>\$ 6,517,257</u>	<u>\$ 6,222,213</u>	<u>\$ 6,412,474</u>	<u>\$ 6,220,402</u>	<u>\$ 6,212,444</u>
\$ 2,537,480	\$ 2,379,497	\$ 2,318,095	\$ 2,380,779	\$ 2,387,045	\$ 2,364,247
798,829	805,116	857,911	925,177	986,675	939,739
770,761	664,674	690,308	624,249	563,172	496,111
166,189	160,697	159,134	193,362	185,279	175,818
341,471	200,166	273,605	128,768	56,296	72,804
586,557	554,575	537,257	478,798	453,030	470,238
435,931	403,553	410,736	333,633	321,882	309,575
452,454	436,533	393,980	295,955	259,046	349,731
1,440	1,336	1,326	4,179	5,360	2,494
200,000	190,000	180,000	175,400	165,000	155,000
32,810	42,215	50,945	59,032	67,332	74,856
138,102	405,870	468,535	620,297	240,365	407,827
252,758	237,024	228,195	227,868	230,029	246,688
<u>\$ 6,714,782</u>	<u>\$ 6,481,256</u>	<u>\$ 6,570,027</u>	<u>\$ 6,447,497</u>	<u>\$ 5,920,511</u>	<u>\$ 6,065,128</u>

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



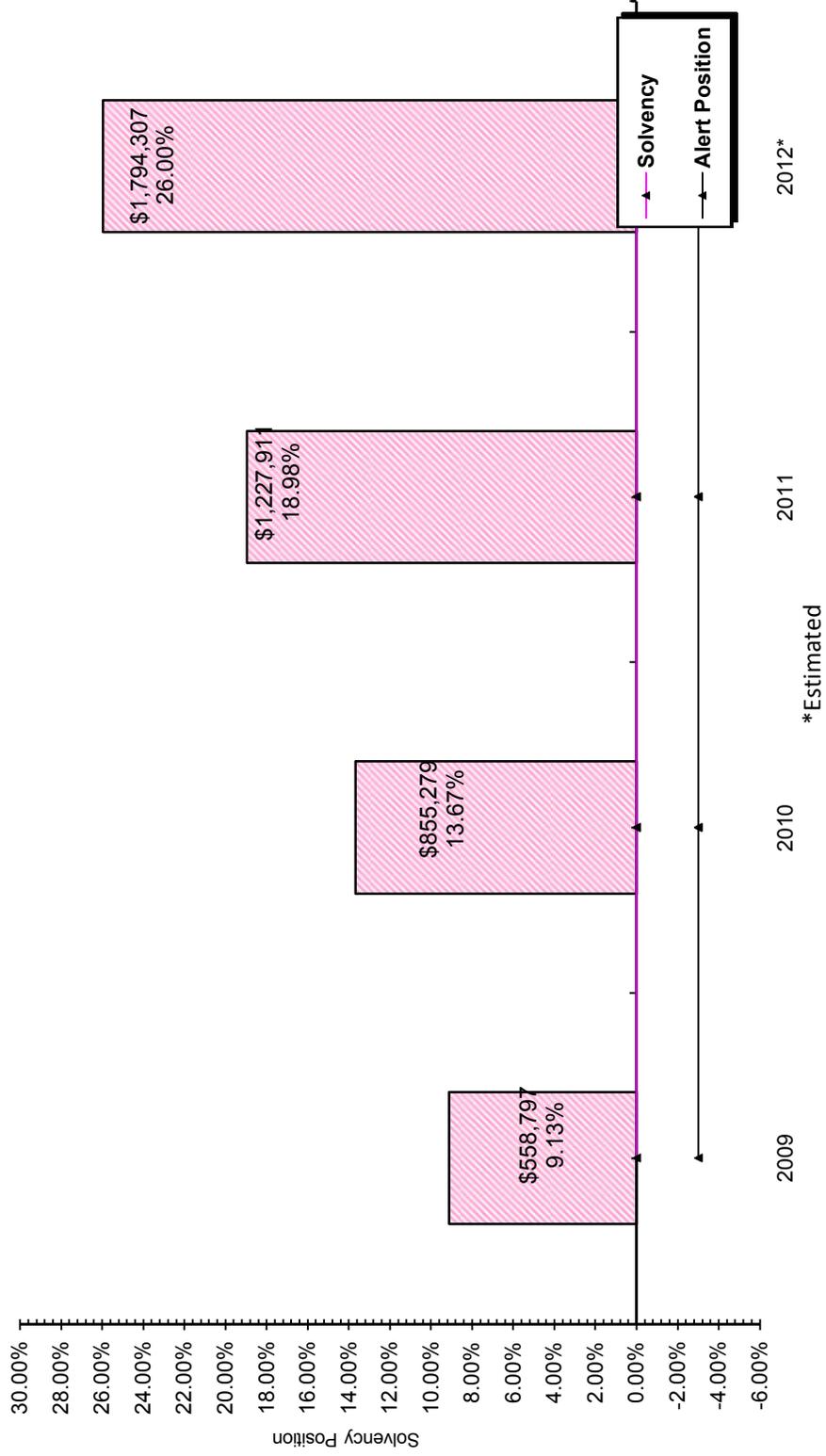
Totals By Year

SOUTH WINESHIEK COMMUNITY SCHOOL DISTRICT
 Comparison of General Fund Revenues



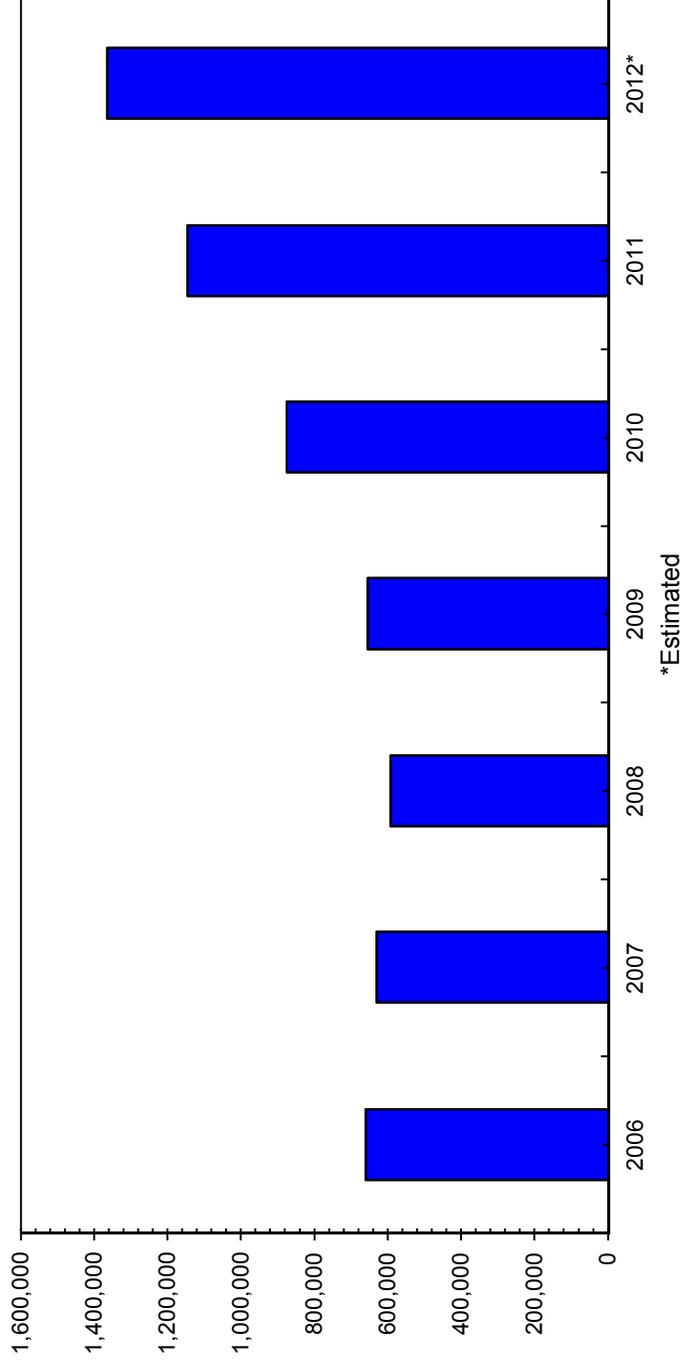
See Independent Auditor's Report on the Supplementary Information.

South Winneshiek Community School District
General Fund Solvency Ratio

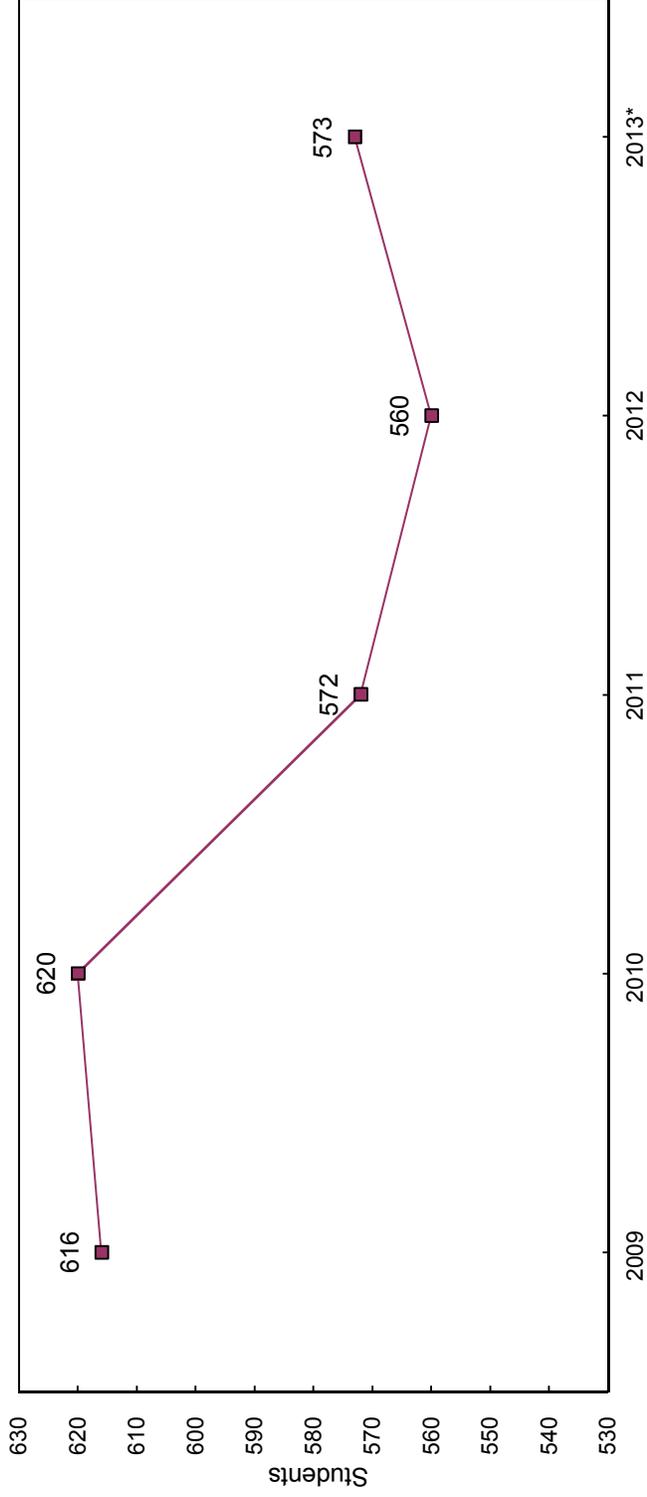


See Independent Auditor's Report on the Supplementary Information.

South Winneshiek Community School District
Spending Authority



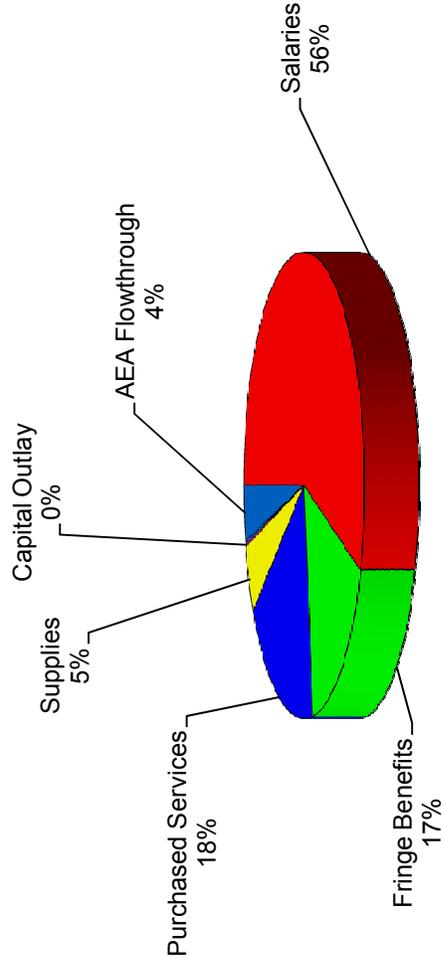
South Winneshiek Community School District
Student Enrollment Data



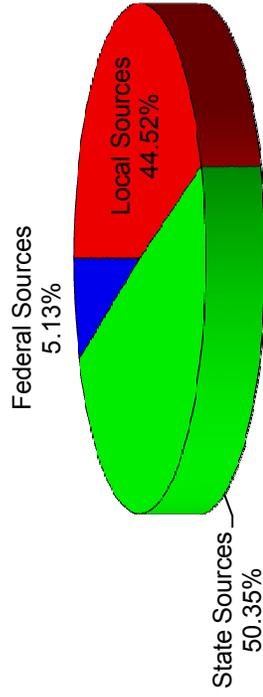
Resource: Total School Enrollment, Not Certified Enrollment, Line 11 of Certified Enrollment Form

*Estimated, has not been audited

**SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
General Fund Expenditure Analysis Year Ended June 30, 2012**



SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
General Fund Revenue Analysis Year Ended June 30, 2012



See Independent Auditor's Report on the Supplementary Information.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Winneshiek Community School District as of and for the year ended June 30, 2012, which collectively comprise South Winneshiek Community School District's basic financial statements and have issued our report thereon dated December 12, 2012. The report on the governmental activities was an adverse opinion because we were unable to audit the capital assets and depreciation expense. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

1. Financial Report Preparation

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

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

Response and Corrective Action Planned

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

Conclusion

Response acknowledged.

2. Overlapping Duties

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

Response and Corrective Action Planned

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

Conclusion

Response acknowledged.

Compliance and Other Matters

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

We noted certain matters that we reported to management of South Winneshiek Community School District in a separate letter dated December 12, 2012.

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

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

MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of South Winneshiek Community School District for the year ended June 30, 2012, we considered the District's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the District's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 thru 12 below are compliance comments required by the Iowa Auditor of State. A separate report dated December 12, 2012 contains our report on significant deficiencies in the District's internal control. This letter does not affect our report dated December 12, 2012, on the financial statements of the South Winneshiek Community School District. Comment numbers 13, 14, 15, and 16 are repeat comments from the prior year. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the District's responses and, accordingly, we express no opinion on them.

1. Certified Budget

Expenditures for the year ended June 30, 2012 exceeded the certified budget amount in the non-instructional and other functions.

Recommendation

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

Response and Corrective Action Planned

Long-term leaves will now be included in the budgeting process to ensure that budget amendments are made to account for the full value in year one.

Conclusion

Response accepted.

2. Questionable Expenditures

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

3. Travel Expense

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

4. Business Transactions

We noted no business transactions between the District and District officials and/or employees for the year ended June 30, 2012.

5. Bond Coverage
Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

6. Board Minutes
We noted no transactions requiring Board approval, which had not been, approved by the Board. We also noted no minutes and bills that had not been published as required.

7. Certified Enrollment
We noted 2 variances in the basic enrollment data certified to the Iowa Department of Education. There were 2 students that had moved from the District and should have been taken off from the prior year.

Recommendation

We recommend a plan be established to verify certified enrollment before submitting to the Iowa Department of Education.

Response and Corrective Action Planned

At the time of the audit adjustment, proper procedures were not in place to validate students. Since then, our software has been upgraded and we now have an employee assigned to manage all students moving in and out of the District. In addition, a second layer of validation was enacted to provide homeroom teachers with rosters to validate on a regular basis.

Conclusion

Response accepted.

8. Supplementary Weighting
No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

9. Deposits and Investments
No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

10. Certified Annual Report
The Certified Annual Report (CAR) was certified to the Iowa Department of Education timely.

11. Categorical Funding
No instances were noted of categorical funding being used to supplant rather than supplement other funds. The School District only expended funds per Iowa Code 2560.2 for kindergarten through third grade to achieve higher level of student success in basic skills, especially reading.

12. Statewide Sales, Services and Use Tax
No instances of noncompliance with the use of the statewide sales, 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:

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

Beginning balance		\$	None
Statewide sales, services and use tax			514,560
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$	514,560	
Debt service for school infrastructure:			
General obligation debt		None	514,560
			<hr/>
Ending balance		\$	<u>None</u>

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.

13. Student Activity Funds Deficits

As of June 30, 2012, two individual student activity accounts have negative account balances.

Recommendation

We recommend a plan be established to eliminate the deficit accounts including but not limited to the reallocation of funds among the accounts.

Response and Corrective Action Planned

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

Conclusion

Response accepted.

14. Capital Asset Records

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

Recommendation

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

Response and Corrective Action Planned

We have hired a company to assist in tagging and locating all fixed assets in the building and ensuring the appropriate items are listed in our depreciation schedule. Our new software will house this information and track it going forward. The company has been here and we are working on completing the process.

Conclusion

Response accepted.

15. Disbursements

During our audit, we noted various items not in compliance with District procedures. There were 6 of the 25 disbursements, all done earlier in the year, which were not marked as paid or canceled. There were 2 of the 25 that did not show proper approval to pay, but appeared to be a reasonable expense.

Recommendation

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

Response and Corrective Action Planned

New processes have been established to evaluate accounts payable. As we are transitioning to new software, more processes are being developed to manage approvals through the accounting system.

Conclusion

Response accepted.

16. Credit Cards

During our audit, we inquired about supporting documents being retained for each credit card purchase. During the early part of the year not all documents were retained to support the purchases made. After subsequent review it appeared all tested disbursements were appropriate expenditures of public funds.

Recommendation

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

Response and Corrective Action Planned

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

Conclusion

Response accepted.

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

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

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

Hacher, Nelson & Co., P.C.

Decorah, Iowa
December 12, 2012