

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
HOWARD-WINNESHIEK, IOWA

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

JUNE 30, 2013

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A Statement of Net Position	8-9
B Statement of Activities	10-13
Governmental Fund Financial Statements:	
C Balance Sheet	14-15
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	16
E Statement of Revenues, Expenditures and Changes in Fund Balances	17-18
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	19
Proprietary Fund Financial Statements:	
G Statement of Net Position	20
H Statement of Revenues, Expenses and Changes in Net Position	21
I Statement of Cash Flows	22-23
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Net Position	24
Notes to Financial Statements	25-40
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	42
Notes to Required Supplementary Information – Budgetary Reporting	43
Schedule of Funding Progress for the Retiree Health Plan	44
SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	46
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	47
Capital Projects Accounts:	
3 Combining Balance Sheet	48
4 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	49
5 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	50
6 Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	51
7 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	52-53
8 Schedule of Expenditures of Federal Awards	54-55
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	56-57

TABLE OF CONTENTS
(continued)

	Page
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133	58-59
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	60-66

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2012)		
Karlos McClure	President	2013
Duane Bodermann	Vice President	2013
Douglas Berg	Board Member	2015
Scott Fortune	Board Member	2015
James Kitchen	Board Member	2015
(After September 2012)		
Duane Bodermann	President	2013
Scott Fortune	Vice President	2015
Karlos McClure	Board Member	2013
Douglas Berg	Board Member	2015
James Kitchen	Board Member	2015
<u>School Officials</u>		
John Carver	Superintendent	2015
David Gaus	District Secretary/Treasurer and Business Manager (resigned August 24, 2012)	
Clint Farlinger	District Secretary/Treasurer and Business Manager (appointed August 27, 2012)	2013
Elwood, O'Donohoe, Braun and White, LLP	Attorney	Indefinite

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1201 HIGH AVENUE WEST
OSKALOOSA, IA 52577
641/672-2541
FAX 641/672-2461

317 EAST ROBINSON
KNOXVILLE, IA 50138
641/842-3184
FAX 641/828-7404

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Howard-Winneshiek Community School District, Howard-Winneshiek Iowa, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Howard-Winneshiek Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters*Required Supplementary Information*

U.S. generally accepted accounting principles require the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of 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.

The District has omitted the Management's Discussion and Analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Howard-Winneshiek Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financials statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 25, 2014 on our consideration of Howard-Winneshiek Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Howard-Winneshiek Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa
February 25, 2014

Hunt & Associates, P.C.

Basic Financial Statements

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 8,120,732	\$ 302,915	\$ 8,423,647
Receivables:			
Property tax:			
Current year	73,368	-	73,368
Succeeding year	6,223,364	-	6,223,364
Income surtax	688,134	-	688,134
Accrued interest	404	-	404
Accounts	110,327	4,084	114,411
Due from other governments	430,483	22,326	452,809
Inventories	-	19,555	19,555
Capital assets, net of accumulated depreciation (note 4)	12,347,861	110,625	12,458,486
Total assets	27,994,673	459,505	28,454,178
Liabilities			
Accounts payable	351,153	7,854	359,007
Salaries and benefits payable	1,329,412	44,267	1,373,679
Accrued interest payable	53,020	-	53,020
Deferred revenue:			
Succeeding year property tax	6,223,364	-	6,223,364
Other	600	6,486	7,086
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	277,312	-	277,312
Bonds payable	420,000	-	420,000
Capital lease purchase agreement	237,855	-	237,855
Portion due after one year:			
Early retirement	277,967	-	277,967
Bonds payable	2,180,000	-	2,180,000
Capital lease purchase agreement	491,523	-	491,523
Net OPEB liability	294,000	-	294,000
Total liabilities	12,136,206	58,607	12,194,813

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 9,747,861	\$ 110,625	\$ 9,858,486
Restricted for:			
Categorical funding (note 11)	347,127	-	347,127
Capital projects	606,739	-	606,739
Physical plant and equipment levy purposes	1,036,232	-	1,036,232
Debt service	640,178	-	640,178
Management levy purposes	229,987	-	229,987
Student activities	386,817	-	386,817
Unrestricted	<u>2,863,526</u>	<u>290,273</u>	<u>3,153,799</u>
Total net position	<u>\$ 15,858,467</u>	<u>\$ 400,898</u>	<u>\$ 16,259,365</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 10,207,013	\$ 889,747	\$ 1,422,197	\$ -
Support services:				
Student	379,293	-	8,229	-
Instructional staff	372,370	-	-	-
Administration	1,360,078	-	100	-
Operation and maintenance of plant	1,360,311	31,777	-	-
Transportation	1,075,828	33,322	72,600	-
	<u>4,547,880</u>	<u>65,099</u>	<u>80,929</u>	<u>-</u>
Non-instructional programs	12,462	-	-	-
Other expenditures:				
Facilities acquisition	170,063	-	2,350	645,881
Long-term debt interest and fiscal charges	117,074	-	-	-
AEA flowthrough	544,490	-	544,490	-
Depreciation (unallocated) *	519,245	-	-	-
	<u>1,350,872</u>	<u>-</u>	<u>546,840</u>	<u>645,881</u>
Total governmental activities	<u>16,118,227</u>	<u>954,846</u>	<u>2,049,966</u>	<u>645,881</u>

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (7,895,069)	\$ -	\$ (7,895,069)
(371,064)	-	(371,064)
(372,370)	-	(372,370)
(1,359,978)	-	(1,359,978)
(1,328,534)	-	(1,328,534)
(969,906)	-	(969,906)
(4,401,852)	-	(4,401,852)
(12,462)	-	(12,462)
478,168	-	478,168
(117,074)	-	(117,074)
-	-	-
(519,245)	-	(519,245)
(158,151)	-	(158,151)
(12,467,534)	-	(12,467,534)

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Support services:				
Instructional staff	\$ 735	\$ -	\$ -	-
Administration	3,371	-	-	-
Operation and maintenance of plant	2,539	-	-	-
	<u>6,645</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs:				
Food service operations	834,878	367,826	476,520	-
	<u>841,523</u>	<u>367,826</u>	<u>476,520</u>	<u>-</u>
Total business-type activities	<u>841,523</u>	<u>367,826</u>	<u>476,520</u>	<u>-</u>
Total	<u>\$ 16,959,750</u>	<u>\$ 1,322,672</u>	<u>\$ 2,526,486</u>	<u>\$ 645,881</u>

General revenues:

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

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ -	\$ (735)	\$ (735)
-	(3,371)	(3,371)
-	(2,539)	(2,539)
-	(6,645)	(6,645)
-	9,468	9,468
-	2,823	2,823
(12,467,534)	2,823	(12,464,711)
\$ 5,963,356	\$ -	\$ 5,963,356
220,054	-	220,054
844,303	-	844,303
1,125,539	-	1,125,539
5,843,804	-	5,843,804
7,917	23	7,940
108,291	-	108,291
14,113,264	23	14,113,287
1,645,730	2,846	1,648,576
14,212,737	398,052	14,610,789
<u>\$ 15,858,467</u>	<u>\$ 400,898</u>	<u>\$ 16,259,365</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 4,312,382	\$ 2,222,335	\$ 1,586,015	\$ 8,120,732
Receivables:				
Property tax:				
Current year	63,104	2,705	7,559	73,368
Succeeding year	5,362,748	200,617	659,999	6,223,364
Income surtax	458,756	229,378	-	688,134
Accrued interest	-	-	404	404
Accounts	109,414	-	913	110,327
Due from other governments	247,367	183,116	-	430,483
	<hr/>			
Total assets	<u>\$ 10,553,771</u>	<u>\$ 2,838,151</u>	<u>\$ 2,254,890</u>	<u>\$ 15,646,812</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 294,967	\$ 46,294	\$ 9,892	\$ 351,153
Salaries and benefits payable	1,329,143	-	269	1,329,412
Deferred revenue:				
Succeeding year property tax	5,362,748	200,617	659,999	6,223,364
Other	459,356	229,378	-	688,734
Total liabilities	<u>7,446,214</u>	<u>476,289</u>	<u>670,160</u>	<u>8,592,663</u>
Fund balances:				
Restricted for:				
Categorical funding (note 11)	347,127	-	-	347,127
Revenue bonds	-	218,000	176,500	394,500
Revenue bonds sinking fund	-	-	262,129	262,129
Debt service	-	-	35,678	35,678
Management levy purposes	-	-	723,606	723,606
Student activities	-	-	386,817	386,817
School infrastructure	-	1,337,008	-	1,337,008
Physical plant and equipment	-	806,854	-	806,854
Unassigned	2,760,430	-	-	2,760,430
Total fund balances	<u>3,107,557</u>	<u>2,361,862</u>	<u>1,584,730</u>	<u>7,054,149</u>
Total liabilities and fund balances	<u>\$ 10,553,771</u>	<u>\$ 2,838,151</u>	<u>\$ 2,254,890</u>	<u>\$ 15,646,812</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 June 30, 2013

Total fund balances of governmental funds	\$ 7,054,149
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	12,347,861
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	688,134
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(53,020)
Long-term liabilities, including early retirement, bonds payable, capital lease purchase agreements, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,178,657)</u>
Net position of governmental activities	<u>\$ 15,858,467</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 5,892,992	\$ 1,599,292	\$ 604,337	\$ 8,096,621
Tuition	373,108	-	-	373,108
Other	212,019	25,556	364,744	602,319
State sources	7,385,460	50,642	300	7,436,402
Federal sources	570,936	595,346	-	1,166,282
Total revenues	<u>14,434,515</u>	<u>2,270,836</u>	<u>969,381</u>	<u>17,674,732</u>
Expenditures:				
Current:				
Instruction	<u>8,821,167</u>	<u>983,279</u>	<u>517,441</u>	<u>10,321,887</u>
Support services:				
Student	397,838	-	-	397,838
Instructional staff	322,963	47,337	-	370,300
Administration	1,333,113	11,606	67,314	1,412,033
Operation and maintenance of plant	1,049,026	182,537	150,599	1,382,162
Transportation	872,681	172,374	50,155	1,095,210
	<u>3,975,621</u>	<u>413,854</u>	<u>268,068</u>	<u>4,657,543</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>25,252</u>	<u>25,252</u>
Other expenditures:				
Facilities acquisition	-	1,238,707	-	1,238,707
Long term debt:				
Principal	-	-	420,000	420,000
Interest and fiscal charges	-	-	125,108	125,108
AEA flowthrough	544,490	-	-	544,490
	<u>544,490</u>	<u>1,238,707</u>	<u>545,108</u>	<u>2,328,305</u>
Total expenditures	<u>13,341,278</u>	<u>2,635,840</u>	<u>1,355,869</u>	<u>17,332,987</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,093,237</u>	<u>(365,004)</u>	<u>(386,488)</u>	<u>341,745</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Compensation for loss of capital assets	\$ -	\$ 35,666	\$ -	\$ 35,666
Execution of capital lease purchase agreement	-	729,378	-	729,378
Interfund transfers in (note 3)	-	-	530,701	530,701
Interfund transfers out (note 3)	-	(530,701)	-	(530,701)
Total other financing sources (uses)	<u>-</u>	<u>234,343</u>	<u>530,701</u>	<u>765,044</u>
Net change in fund balances	1,093,237	(130,661)	144,213	1,106,789
Fund balances beginning of year	<u>2,014,320</u>	<u>2,492,523</u>	<u>1,440,517</u>	<u>5,947,360</u>
Fund balances end of year	<u>\$ 3,107,557</u>	<u>\$ 2,361,862</u>	<u>\$ 1,584,730</u>	<u>\$ 7,054,149</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ 1,106,789

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 1,283,244	
Depreciation expense	<u>(711,232)</u>	572,012

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. 53,559

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. (729,378)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 420,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 8,034

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	282,714	
Net OPEB liability	<u>(68,000)</u>	<u>214,714</u>

Change in net position of governmental activities \$ 1,645,730

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2013

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u>	<u>Internal</u> <u>Service</u> <u>Flexible</u> <u>Benefits</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 302,915	\$ 2,025
Accounts receivable	4,084	-
Due from other governments	22,326	-
Inventories	19,555	-
Total current assets	<u>348,880</u>	<u>2,025</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation (note 4)	<u>110,625</u>	-
Total assets	<u>459,505</u>	<u>2,025</u>
Liabilities		
Current liabilities:		
Accounts payable	7,854	-
Salaries and benefits payable	44,267	-
Deferred revenue	6,486	-
Total current liabilities	<u>58,607</u>	<u>-</u>
Net Position		
Net investment in capital assets	110,625	-
Unrestricted	<u>290,273</u>	<u>2,025</u>
Total net position	<u>\$ 400,898</u>	<u>\$ 2,025</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u>	<u>Internal</u> <u>Service</u> <u>Flexible</u> <u>Benefits</u>
Operating revenues:		
Local sources:		
Charges for services	\$ 367,826	\$ 29,573
Operating expenses:		
Support services:		
Instructional staff	735	-
Administration	3,371	-
Operation and maintenance of plant	2,539	-
Non-instructional programs	<u>834,878</u>	<u>31,309</u>
	<u>841,523</u>	<u>31,309</u>
Operating loss	(473,697)	(1,736)
Non-operating revenues:		
Interest on investments	23	1
State sources	6,155	-
Federal sources	<u>470,365</u>	<u>-</u>
Total non-operating revenues	<u>476,543</u>	<u>1</u>
Change in net position	2,846	(1,735)
Net position beginning of year	<u>398,052</u>	<u>3,760</u>
Net position end of year	<u>\$ 400,898</u>	<u>\$ 2,025</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	<u>Enterprise</u> School Nutrition	<u>Internal</u> Service Flexible Benefits
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 297,880	\$ -
Cash received from miscellaneous operating activities	70,410	29,573
Cash payments to employees for services	(295,051)	-
Cash payments to suppliers for goods or services	<u>(472,004)</u>	<u>(31,309)</u>
Net cash used by operating activities	<u>(398,765)</u>	<u>(1,736)</u>
Cash flows from non-capital financing activities:		
State grants received	5,812	-
Federal grants received	<u>428,830</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>434,642</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(2,198)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>23</u>	<u>1</u>
Net increase (decrease) in cash and cash equivalents	33,702	(1,735)
Cash and cash equivalents beginning of year	<u>269,213</u>	<u>3,760</u>
Cash and cash equivalents end of year	<u>\$ 302,915</u>	<u>\$ 2,025</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	<u>Enterprise</u> School Nutrition	<u>Internal</u> Service Flexible Benefits
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (473,697)	\$ (1,736)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	15,842	-
Commodities used	45,949	-
(Increase) in accounts receivable	(1,508)	-
Decrease in inventories	16,626	-
(Decrease) in accounts payable	(651)	-
(Decrease) in salaries and benefits payable	(3,298)	-
Increase in deferred revenue	<u>1,972</u>	<u>-</u>
Net cash used by operating activities	<u>\$ (398,765)</u>	<u>\$ (1,736)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$45,949 of federal commodities.

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 June 30, 2013

	<u>Agency</u>
Assets:	
Cash	\$ <u>4,724</u>
Liabilities:	
Other payables	\$ <u>4,724</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District reports the following proprietary fund:

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

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

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

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2013 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

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

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

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

Asset Class	Estimated Useful Lives
Buildings	18-50 years
Improvements other than buildings	8-15 years
Furniture and equipment	3-20 years

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

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

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

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2013.

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 2. Cash and Pooled Investments (continued)

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>211,011</u>

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

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

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>530,701</u>

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

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 720,404	\$ -	\$ -	\$ 720,404
Construction in progress	154,156	1,059,162	1,213,318	-
Total capital assets not being depreciated	<u>874,560</u>	<u>1,059,162</u>	<u>1,213,318</u>	<u>720,404</u>
Capital assets being depreciated:				
Buildings	16,026,666	1,220,488	-	17,247,154
Improvements other than buildings	1,034,381	-	-	1,034,381
Furniture and equipment	3,217,369	216,912	151,412	3,282,869
Total capital assets being depreciated	<u>20,278,416</u>	<u>1,437,400</u>	<u>151,412</u>	<u>21,564,404</u>
Less accumulated depreciation for:				
Buildings	6,520,915	430,455	-	6,951,370
Improvements other than buildings	482,945	85,483	-	568,428
Furniture and equipment	2,373,267	195,294	151,412	2,417,149
Total accumulated depreciation	<u>9,377,127</u>	<u>711,232</u>	<u>151,412</u>	<u>9,936,947</u>
Total capital assets being depreciated, net	<u>10,901,289</u>	<u>726,168</u>	<u>-</u>	<u>11,627,457</u>
Governmental activities capital assets, net	<u>\$ 11,775,849</u>	<u>\$ 1,785,330</u>	<u>\$ 1,213,318</u>	<u>\$ 12,347,861</u>
Business-type activities:				
Furniture and equipment	\$ 422,771	\$ 2,198	\$ 4,398	\$ 420,571
Less accumulated depreciation	298,502	15,842	4,398	309,946
Business-type activities capital assets, net	<u>\$ 124,269</u>	<u>\$ (13,644)</u>	<u>\$ -</u>	<u>\$ 110,625</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction	\$ 10,678
Support services:	
Administration	15,408
Operation and maintenance of plant	6,102
Transportation	<u>159,799</u>
	191,987
Unallocated depreciation	<u>519,245</u>
Total depreciation expense - governmental activities	\$ <u><u>711,232</u></u>
Business-type activities:	
Food service operations	\$ <u><u>15,842</u></u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 837,993	\$ -	\$ 282,714	\$ 555,279	\$ 277,312
Revenue bonds	3,020,000	-	420,000	2,600,000	420,000
Capital lease purchase agreement	-	729,378	-	729,378	237,855
Net OPEB liability	226,000	68,000	-	294,000	-
Total	<u>\$ 4,083,993</u>	<u>\$ 797,378</u>	<u>\$ 702,714</u>	<u>\$ 4,178,657</u>	<u>\$ 935,167</u>

Early Retirement

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

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

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

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

At June 30, 2013, the District has obligations to twenty-two participants with a total liability of \$555,279.

Actual early retirement expenditures for the year ended June 30, 2013 totaled \$282,714. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2013 revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated August 1, 2007			
	Interest Rates	Principal	Interest	Total
2014	4.30 %	\$ 420,000	\$ 18,060	\$ 438,060
Year Ending June 30,	Issue dated November 1, 2009			
	Interest Rates	Principal	Interest	Total
2014	- %	\$ -	\$ 86,198	\$ 86,198
2015	-	-	86,198	86,198
2016	3.125	180,000	86,197	266,197
2017	3.375	190,000	80,572	270,572
2018	4.000	195,000	74,160	269,160
2019	4.000	205,000	66,360	271,360
2020	4.000	210,000	58,160	268,160
2021	4.000	220,000	49,760	269,760
2022	4.000	230,000	40,960	270,960
2023	4.200	240,000	31,760	271,760
2024	4.200	250,000	21,680	271,680
2025	4.300	260,000	11,180	271,180
Subtotal		2,180,000	693,185	2,873,185
Total		\$ 2,600,000	\$ 711,245	\$ 3,311,245

The District pledged future local option (statewide) sales and services tax revenues to repay the \$1,765,000 and \$2,180,000 bonds issued in August 2007 and November 2009, respectively. The bonds were issued for the purpose of financing school infrastructure. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2025. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 8 to 50 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$3,311,245. For the current year, principal of \$420,000 and interest of \$122,108 was paid on the bonds and total statewide sales and services tax revenues were \$1,125,539.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

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

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

Capital Lease Purchase Agreement

During the year ended June 30, 2013, the District entered into an agreement for the lease purchase of computers and computer equipment totaling \$983,279. The agreement provides for an initial down payment and three additional annual payments of \$253,901.15 and includes interest at 2.2%.

Details of the District's June 30, 2013 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 237,855	\$ 16,046	\$ 253,901
2015	243,088	10,813	253,901
2016	248,435	5,466	253,901
	<u>\$ 729,378</u>	<u>\$ 32,325</u>	<u>\$ 761,703</u>

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District participates in the Northeast Iowa Schools Insurance Trust (Trust), which is a cost-sharing multiple-employer plan, as authorized by Chapter 28E of the Code of Iowa. The Trust provides medical and dental insurance benefits for retirees and their spouses. There are 1,045 active and 145 retired members in the Trust. The District has 138 active and 18 retired members in the plan. Participants must be age 55 or older at retirement.

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

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

Funding Policy – The 28E agreement provides that contribution requirements of plan members and the participating employees are established and may be amended by the officials of the Trust. Plan members or beneficiaries receiving benefits contribute differing amounts per month depending on the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

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

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 144,000
Interest on net OPEB obligation	6,000
Adjustment to annual required contribution	<u>(44,000)</u>
Annual OPEB cost	106,000
Contributions made	<u>(38,000)</u>
Increase in net OPEB obligation	68,000
Net OPEB obligation beginning of year	<u>226,000</u>
Net OPEB obligation end of year	<u><u>\$ 294,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$38,000 to the medical plan.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2011	\$ 112,000	19.6%	\$ 136,000
2012	116,000	22.4%	226,000
2013	106,000	35.8%	294,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$765,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$765,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,354,000, and the ratio of the UAAL to covered payroll was 10.4%. As of June 30, 2013, there were no trust fund assets.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

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 provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District’s funding policy. The projected annual medical trend rate is 6%.

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

Note 7. Operating Lease

The District is obligated under a copier equipment lease accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations and, therefore, are not reflected on the District’s Statement of Net Position. The agreement provides for monthly lease payments of \$5,190 during the term of the lease.

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

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2014	\$ 62,280
2015	<u>10,380</u>
	<u>\$ 72,660</u>

Total payments under the lease agreement for the year ended June 30, 2013 were \$62,048.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 8. Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered payroll for the year ended June 30, 2013. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$643,009, \$582,841, and \$509,298, respectively, equal to the required contributions for each year.

Note 9. Risk Management

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

Northeast Iowa Schools Insurance Trust

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

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

The District's contributions to the Trust for the years ended June 30, 2013, 2012, and 2011 were \$1,752,208, \$1,750,468, and \$1,781,536, respectively, equal to the required contributions for each year. The total premiums paid into the Trust by all member Districts and retirees from July 1, 2011 to June 30, 2012 (latest available audited financial statements) were \$10,942,899.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$544,490 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 11. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Returning dropouts and dropout prevention programs	\$ 154,577
Four year old preschool state aid	1,426
Market factor	10,483
Textbook aid for nonpublic students	2,513
Empowerment professional development grant	2,400
Professional development for model core curriculum	95,587
Professional development	75,990
Market factor incentives	2,671
STEM grant	<u>1,480</u>
Total	<u>\$ 347,127</u>

Note 12. Subsequent Events

In December 2013, the District approved a contract totaling \$186,618 to repair the exterior of the K-8 building.

Required Supplementary Information

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year Ended June 30, 2013

	Governmental Funds - Actual	Proprietary Fund - Enterprise- Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 9,072,048	\$ 367,849	\$ 9,439,897	\$ 9,071,133	\$ 368,764
State sources	7,436,402	6,155	7,442,557	7,470,134	(27,577)
Federal sources	1,166,282	470,365	1,636,647	1,885,240	(248,593)
Total revenues	17,674,732	844,369	18,519,101	18,426,507	92,594
EXPENDITURES/EXPENSES:					
Instruction	10,321,887	-	10,321,887	10,754,000	432,113
Support services	4,657,543	6,645	4,664,188	5,969,185	1,304,997
Non-instructional programs	25,252	834,878	860,130	933,900	73,770
Other expenditures	2,328,305	-	2,328,305	3,715,235	1,386,930
Total expenditures/expenses	17,332,987	841,523	18,174,510	21,372,320	3,197,810
Excess (deficiency) of revenues over (under) expenditures/expenses	341,745	2,846	344,591	(2,945,813)	3,290,404
Other financing sources, net	765,044	-	765,044	-	765,044
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	1,106,789	2,846	1,109,635	(2,945,813)	4,055,448
Balance beginning of year	5,947,360	398,052	6,345,412	3,625,495	2,719,917
Balance end of year	<u>\$ 7,054,149</u>	<u>\$ 400,898</u>	<u>\$ 7,455,047</u>	<u>\$ 679,682</u>	<u>\$ 6,775,365</u>

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2013

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

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

During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information
Year Ended June 30, 2013

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	\$ -	\$ 1,045	\$ 1,045	0.0%	\$ 7,795	13.4%
2010	July 1, 2008	-	1,022	1,022	0.0%	7,944	12.9%
2011	July 1, 2010	-	880	880	0.0%	7,169	12.3%
2012	July 1, 2010	-	880	880	0.0%	7,140	12.3%
2013	July 1, 2012	-	765	765	0.0%	7,354	10.4%

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

See accompanying independent auditor's report.

Supplementary Information

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue		Debt Service	Total
	Management Levy	Student Activity		
Assets				
Cash and pooled investments	\$ 717,129	\$ 394,579	\$ 474,307	\$ 1,586,015
Receivables:				
Property tax:				
Current year	7,559	-	-	7,559
Succeeding year	659,999	-	-	659,999
Accrued interest	-	404	-	404
Accounts	-	913	-	913
Total assets	<u>\$ 1,384,687</u>	<u>\$ 395,896</u>	<u>\$ 474,307</u>	<u>\$ 2,254,890</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,082	\$ 8,810	\$ -	\$ 9,892
Salaries and benefits payable	-	269	-	269
Deferred revenue:				
Succeeding year property tax	659,999	-	-	659,999
Total liabilities	<u>661,081</u>	<u>9,079</u>	<u>-</u>	<u>670,160</u>
Fund balances:				
Restricted for:				
Revenue bonds	-	-	176,500	176,500
Revenue bonds sinking fund	-	-	262,129	262,129
Debt service	-	-	35,678	35,678
Management levy purposes	723,606	-	-	723,606
Student activities	-	386,817	-	386,817
Total fund balances	<u>723,606</u>	<u>386,817</u>	<u>474,307</u>	<u>1,584,730</u>
Total liabilities and fund balances	<u>\$ 1,384,687</u>	<u>\$ 395,896</u>	<u>\$ 474,307</u>	<u>\$ 2,254,890</u>

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	Special Revenue		Debt Service	Total
	Management Levy	Student Activity		
Revenues:				
Local sources:				
Local tax	\$ 604,337	\$ -	\$ -	\$ 604,337
Other	20,001	342,237	2,506	364,744
State sources	300	-	-	300
Total revenues	<u>624,638</u>	<u>342,237</u>	<u>2,506</u>	<u>969,381</u>
Expenditures:				
Current:				
Instruction	194,847	322,594	-	517,441
Support services:				
Administration	67,314	-	-	67,314
Operation and maintenance of plant	150,599	-	-	150,599
Transportation	50,155	-	-	50,155
Non-instructional programs	25,252	-	-	25,252
Other expenditures:				
Long term debt:				
Principal	-	-	420,000	420,000
Interest and fiscal charges	-	-	125,108	125,108
Total expenditures	<u>488,167</u>	<u>322,594</u>	<u>545,108</u>	<u>1,355,869</u>
Excess (deficiency) of revenues over (under) expenditures	136,471	19,643	(542,602)	(386,488)
Other financing sources:				
Interfund transfers in	-	-	530,701	530,701
Net change in fund balances	136,471	19,643	(11,901)	144,213
Fund balances beginning of year	<u>587,135</u>	<u>367,174</u>	<u>486,208</u>	<u>1,440,517</u>
Fund balances end of year	<u>\$ 723,606</u>	<u>\$ 386,817</u>	<u>\$ 474,307</u>	<u>\$ 1,584,730</u>

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,383,285	\$ 839,050	\$ 2,222,335
Receivables:			
Property tax:			
Current year	-	2,705	2,705
Succeeding year	-	200,617	200,617
Income surtax	-	229,378	229,378
Due from other governments	183,116	-	183,116
	<hr/>	<hr/>	<hr/>
Total assets	\$ <u>1,566,401</u>	\$ <u>1,271,750</u>	\$ <u>2,838,151</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 11,393	\$ 34,901	\$ 46,294
Deferred revenue:			
Succeeding year property tax	-	200,617	200,617
Other	-	229,378	229,378
Total liabilities	<hr/> 11,393	<hr/> 464,896	<hr/> 476,289
Fund balances:			
Restricted for:			
Revenue bonds	218,000	-	218,000
School infrastructure	1,337,008	-	1,337,008
Physical plant and equipment	-	806,854	806,854
Total fund balances	<hr/> 1,555,008	<hr/> 806,854	<hr/> 2,361,862
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ <u>1,566,401</u>	\$ <u>1,271,750</u>	\$ <u>2,838,151</u>

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS ACCOUNTS

Year Ended June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 1,125,539	\$ 473,753	\$ 1,599,292
Other	17,728	7,828	25,556
State sources	50,535	107	50,642
Federal sources	595,346	-	595,346
Total revenues	<u>1,789,148</u>	<u>481,688</u>	<u>2,270,836</u>
Expenditures:			
Current:			
Instruction	983,279	-	983,279
Support services:			
Instructional staff	17,871	29,466	47,337
Administration	11,606	-	11,606
Operation and maintenance of plant	-	182,537	182,537
Transportation	161,674	10,700	172,374
Other expenditures:			
Facilities acquisition	1,078,701	160,006	1,238,707
Total expenditures	<u>2,253,131</u>	<u>382,709</u>	<u>2,635,840</u>
Excess (deficiency) of revenues over (under) expenditures	(463,983)	98,979	(365,004)
Other financing sources (uses):			
Compensation for loss of capital assets	-	35,666	35,666
Execution of capital lease purchase agreement	729,378	-	729,378
Interfund transfers out	(530,701)	-	(530,701)
Total other financing sources (uses)	<u>198,677</u>	<u>35,666</u>	<u>234,343</u>
Net change in fund balances	(265,306)	134,645	(130,661)
Fund balances beginning of year	<u>1,820,314</u>	<u>672,209</u>	<u>2,492,523</u>
Fund balances end of year	<u>\$ 1,555,008</u>	<u>\$ 806,854</u>	<u>\$ 2,361,862</u>

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 20,002	\$ 115,488	\$ 102,159	\$ 33,331
Business Club	244	-	-	244
Class of 2013	50	-	50	-
Class of 2014	2,268	-	1,663	605
Class of 2015	2,800	687	-	3,487
Concessions	2,203	901	1,450	1,654
Crest Newspaper	961	-	30	931
Cresco Elementary Activity	30,489	47,063	49,944	27,608
Junior High Yearbook	128	2,740	2,146	722
Elma Elementary	8,991	705	747	8,949
Future Farmers of America - FFA	110,792	74,540	74,103	111,229
High School Cheerleaders	1,964	23,036	24,542	458
High School Drama	3,891	2,914	1,133	5,672
High School Speech	250	460	-	710
High School Student Clubs	92	-	-	92
High School Student Council	1,595	6,030	5,737	1,888
Horticulture Club	2,094	2,304	1,238	3,160
Instrumental Music	8,881	4,535	3,396	10,020
High School Winter Drumline	-	720	200	520
Junior High Drama	4,823	1,712	985	5,550
Junior High Music	25,893	8,782	6,080	28,595
Junior High Student Council	(4)	7,243	5,233	2,006
Junior High Cheerleaders	1,960	1,481	900	2,541
Language Club	277	-	-	277
Lime Springs Elementary	17,013	4,000	4,221	16,792
Lime Springs Garden	385	-	-	385
Magazine Sales	10,163	10,331	10,767	9,727
National Honor Society	6	570	479	97
Picture Money	1,691	204	-	1,895
Ridgeway Elementary	2,274	-	2,274	-
Robe Fund	1,539	-	653	886
Unallocated Interest Income	59,836	5,320	9,800	55,356
Vocal Music	33,460	12,019	11,574	33,905
General High School Activity	-	4,525	-	4,525
Yearbook	6,248	3,927	1,090	9,085
SADD	101	-	-	101
Wellness Fair - Luther	590	-	-	590
Honor Roll	3,224	-	-	3,224
Total	\$ 367,174	\$ 342,237	\$ 322,594	\$ 386,817

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2013

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ <u>2,704</u>	\$ <u>9,192</u>	\$ <u>7,172</u>	\$ <u>4,724</u>
Liabilities				
Other payables	\$ <u>2,704</u>	\$ <u>9,192</u>	\$ <u>7,172</u>	\$ <u>4,724</u>

See accompanying independent auditor's report.

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

ALL GOVERNMENTAL FUNDS
 FOR THE LAST NINE YEARS

	Modified Accrual Basis Years Ended June 30,			
	2013	2012	2011	2010
Revenues:				
Local sources:				
Local tax	\$ 8,096,621	\$ 7,671,340	\$ 7,209,612	\$ 6,577,455
Tuition	373,108	280,217	215,829	319,924
Other	602,319	724,921	730,909	699,332
State sources	7,436,402	7,584,557	7,126,600	6,289,365
Federal sources	1,166,282	897,573	948,442	1,423,069
Total revenues	\$ 17,674,732	\$ 17,158,608	\$ 16,231,392	\$ 15,309,145
Expenditures:				
Instruction	\$ 10,321,887	\$ 9,585,827	\$ 9,203,216	\$ 9,438,459
Support services:				
Student	397,838	346,167	308,468	381,992
Instructional staff	370,300	652,069	498,324	747,430
Administration	1,412,033	1,295,175	1,304,088	1,339,120
Operation and maintenance of plant	1,382,162	1,094,810	1,189,005	1,229,526
Transportation	1,095,210	1,091,216	994,951	1,225,877
Non-instructional programs	25,252	24,253	25,141	32,461
Other expenditures:				
Facilities acquisition	1,238,707	631,166	158,279	906,176
Long-term debt:				
Principal	420,000	600,000	645,000	995,000
Interest and fiscal charges	125,108	151,307	194,239	185,572
AEA flowthrough	544,490	545,142	594,473	578,150
Total expenditures	\$ 17,332,987	\$ 16,017,132	\$ 15,115,184	\$ 17,059,763

See accompanying independent auditor's report.

	2009	2008	2007	2006	2005
\$	6,821,984	\$ 6,812,672	\$ 6,378,914	\$ 6,087,320	\$ 5,996,093
	227,553	204,089	247,706	184,356	198,164
	838,776	729,046	759,814	700,910	704,802
	7,522,536	7,066,374	6,681,279	6,544,167	6,488,279
	562,688	984,220	798,154	627,384	834,432
\$	<u>15,973,537</u>	<u>15,796,401</u>	<u>14,865,867</u>	<u>14,144,137</u>	<u>14,221,770</u>
\$	9,446,490	\$ 8,546,096	\$ 8,247,963	\$ 8,031,145	\$ 7,657,561
	445,080	522,259	484,839	467,585	621,567
	565,222	452,757	604,306	503,050	560,822
	1,370,113	1,407,458	1,290,720	1,191,906	1,180,804
	1,333,747	1,258,183	1,170,965	1,142,621	1,138,546
	1,083,458	973,684	783,180	781,515	710,992
	25,615	9,324	25,399	16,509	20,168
	1,001,601	2,446,356	812,778	235,986	604,332
	996,364	923,636	737,457	625,472	703,001
	167,855	191,055	155,746	180,759	209,629
	534,196	515,279	485,091	467,927	466,256
\$	<u>16,969,741</u>	<u>17,246,087</u>	<u>14,798,444</u>	<u>13,644,475</u>	<u>13,873,678</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Specialty Crop Block Grant Program - Farm Bill	10.170	FY 13	\$ <u>350</u>
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 13	60,872
National School Lunch Program	10.555	FY 13	359,888 *
Summer Food Service Program for Children	10.559	FY 13	<u>21,527</u>
			<u>442,287</u>
Team Nutrition Grants	10.574	FY 13	<u>318</u>
Fresh Fruit and Vegetable Program	10.582	FY 13	<u>27,760</u>
U. S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
City of Lime Springs:			
Community Development Block Grants/Entitlement Grants	14.218	10-CF-007	<u>216,333</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	SINA 12	3,764
Title I Grants to Local Educational Agencies	84.010	SINA 13	18,780
Title I Grants to Local Educational Agencies	84.010	3029G	244,001
Title I Grants to Local Educational Agencies	84.010	3029GC	3,606
			<u>270,151</u>
Improving Teacher Quality State Grants	84.367	FY 13	<u>63,411</u>
Grants for State Assessments and Related Activities	84.369	FY 13	<u>8,229</u>
Keystone Area Education Agency:			
Special Education - Grants to States	84.027	FY 13	<u>78,646</u>
Career and Technical Education - Basic Grants to States	84.048	FY 13	<u>1,418</u>
U. S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Temporary Assistance for Needy Families	93.558	FY 13	<u>5,736</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect (continued):			
U. S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Hazard Mitigation Grant	97.039	HMGP- DR-1854	\$ <u>379,013</u>
Total			\$ <u><u>1,493,652</u></u>

* = Includes \$45,949 of non-cash awards.

Basis of Presentation –

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

See accompanying independent auditor's report.

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1201 HIGH AVENUE WEST
OSKALOOSA, IA 52577
641/672-2541
FAX 641/672-2461

317 EAST ROBINSON
KNOXVILLE, IA 50138
641/842-3184
FAX 641/828-7404

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

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

We have audited 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Howard-Winneshiek Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 25, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Howard-Winneshiek Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Howard-Winneshiek Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Howard-Winneshiek Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control over financial reporting we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-13 and II-B-13 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-13, II-D-13, and II-E-13 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Howard-Winneshiek Community School District's Responses to Findings

Howard-Winneshiek Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Howard-Winneshiek Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Howard-Winneshiek Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
February 25, 2014

Hunt + Associates, P.C.

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1201 HIGH AVENUE WEST
OSKALOOSA, IA 52577
641/672-2541
FAX 641/672-2461
317 EAST ROBINSON
KNOXVILLE, IA 50138
641/842-3184
FAX 641/828-7404

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM,
ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Howard-Winneshiek Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. Howard-Winneshiek Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Howard-Winneshiek Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Howard-Winneshiek Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Howard-Winneshiek Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Howard-Winneshiek Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of Howard-Winneshiek Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Howard-Winneshiek Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on

compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Howard-Winneshiek Community School District's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over compliance, described in Part III of the accompanying Schedule of Findings and Questioned Costs, that we consider to be a significant deficiency.

Howard-Winneshiek Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Howard-Winneshiek Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Howard-Winneshiek Community School District as of and for the year ended June 30, 2013, and have issued our report dated February 25, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Oskaloosa, Iowa
February 25, 2014

Hunt & Associates, P.C.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.559 – Summer Food Service Program for Children
 - CFDA Number 97.039 – Hazard Mitigation Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Howard-Winneshiek Community School District did not qualify as a low-risk auditee.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-13 Bank Reconciliation – We noted that bank reconciliations were prepared for each bank account but not for the Bankers Trust revenue bond accounts. This led to unrecorded transactions that were undetected. We noted unrecorded revenue bond payments of \$542,108 and \$18,916 of interfund transfers recorded as interest revenue. Adjusting journal entries have been made to the general ledger to record and correct these items.

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

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

Conclusion – Response accepted.

II-B-13 Financial Reporting – During the audit, we identified material amounts of adjustments from prior years for capital assets additions and disposals that have not been recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

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

Response – We will double check these in the future to avoid missing any capital asset transactions.

Conclusion – Response accepted.

II-C-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, the posting of the cash receipts to the cash receipts journal, and all payroll activity were all done by the same person in the various funds.

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

Response – We will review the recommendation and look to improve in areas where possible. We have implemented some additional review procedures for payroll.

Conclusion – Response accepted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

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

Internal Control Deficiencies (continued):

- II-D-13 Capital Assets Listing – We noted that School Nutrition Fund capital assets over twelve years that are fully depreciated are removed from the capital assets listing, even though the District still has the capital asset. The general ledger, however, shows the correct amounts for Nutrition Fund capital assets.

Recommendation – The capital assets listing should include all equipment that the District has, whether fully depreciated or not. Capital assets should only be removed from the listing when they are disposed of. The listing should also be reconciled to the School Nutrition machinery and equipment and accumulated depreciation accounts in the general ledger each year.

Response – We will make sure that the School Nutrition capital assets listing includes all the capital assets and is tied to the applicable general ledger accounts each year.

Conclusion – Response accepted.

- II-E-13 Receipt Classifications – During the audit, we identified six receipts and ten months of interest on a certificate of deposit that were recorded in an incorrect fund. Adjustments were subsequently made by the District to record these amounts in the proper fund in the financial statements.

Recommendation – The District should implement procedures to ensure all receipts are recorded in the appropriate fund.

Response – We will be more diligent in the future when classifying and recording receipts.

Conclusion – Response accepted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program and
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2013
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-13 Segregation of Duties – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that all payroll activity is performed by one person.

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

Response – We will review this recommendation and look to improve in areas where possible. We have implemented some additional review procedures for payroll.

Conclusion – Response accepted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-13 Certified Budget – Expenditures for the year ended June 30, 2013, did not exceed the amounts budgeted.
- IV-B-13 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-13 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-13 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Rachelle McAllister, daughter of Board Member Karlos McClure	Teacher wages	\$60,303 (a)
Kelly Bodermann, spouse of Board President Duane Bodermann	Teacher associate wages	\$13,657 (a)
Shirley Sovereign, Principal Spouse is co-owner of Cresco Fuels	Diesel fuel	\$4,301 (b)
Clint Farlinger, Business Manager Co-owner of Galena Estates	Lodging for conference	\$250 (b)

In accordance with an Attorney General’s opinion dated November 9, 1976, the transactions designated with an (a) do not appear to represent any conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the transactions designated with a (b) do not appear to represent any conflict of interest.

- IV-E-13 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-13 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-13 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

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

- IV-J-13 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-13 Statewide Sales and Services Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	1,820,314	
Revenues:				
Sales tax revenues	\$	1,125,539		
Interest		3,725		
Donations		14,003		
State grants		50,535		
Federal grants		595,346		
Issuance of long-term debt		<u>729,378</u>	2,518,526	
Expenditures/transfers out:				
School infrastructure construction		1,103,810		
Equipment		1,149,321		
Transfers to other funds:				
Debt Service Fund		<u>530,701</u>	<u>2,783,832</u>	
Ending balance			\$	<u><u>1,555,008</u></u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- IV-M-13 Student Activity Fund – We noted that the Student Activity Fund has an interest account with a balance of \$55,356 remaining at year end.

Recommendation – Interest earned by the Student Activity Fund should be allocated to the appropriate cocurricular accounts each year and not accumulated in a separate account.

Response – We will allocate the interest to the appropriate activity accounts.

Conclusion – Response accepted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

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

IV-N-13 Early Retirement – We noted that the early retirement payments for five retirees were underpaid for a total of \$6,864 and the early retirement payments for five retirees were over paid for a total of \$1,146 during the year ended June 30, 2013. The underpayments were corrected during the fiscal year.

Recommendation – All early retirement payments should be reviewed to ensure accuracy. The overpayments should be corrected on the next early retirement payment.

Response – We will double check the remaining early retirement payments to ensure their accuracy. We corrected the overpayments on the August 2013 payment.

Conclusion – Response accepted.