

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

**FINANCIAL REPORT**

**JUNE 30, 2013**

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SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION AND SCHOOL OFFICIALS

Name	Title	Address	Term Expires
<u>Board of Education</u> (Before September 2013 Election)			
Allan Schmitt	President	Calmar, Iowa	September 2013
Don Schroeder	Member	Calmar, Iowa	September 2015
Robert Busch	Member	Fort Atkinson, Iowa	September 2015
Wendy Mihm-Herold	Member	Fort Atkinson, Iowa	September 2013
Arnie Kriener	Member	Ossian, Iowa	September 2013
<u>Board of Education</u> (After September 2013 Election)			
Arnie Kriener	President	Ossian, Iowa	September 2017
Don Schroeder	Member	Calmar, Iowa	September 2015
Robert Busch	Member	Fort Atkinson, Iowa	September 2015
Wendy Mihm-Herold	Member	Fort Atkinson, Iowa	September 2017
Jenny Johnson	Member	Calmar, Iowa	September 2015
<u>School Officials</u> Chris Hoover – Superintendent Kris Smith – District Secretary/Treasurer			

INDEPENDENT AUDITOR'S REPORT  
ON THE FINANCIAL STATEMENTS

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

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 South Winneshiek Community School District 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 as 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that 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 South 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 that the management's discussion and analysis, budgetary comparison information and funding progress for the retiree health plan on pages 5 through 5e and pages 29 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Winneshiek Community School District's basic financial statements. The combining and individual nonmajor fund financial statements, comparative financial information and general fund revenue and expenditure analysis for 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, comparative financial information and general fund revenue and expenditure analysis for 2013 are the responsibility of management and were derived from and relate 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 financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with U.S. generally accepted auditing standards, the basic financial statements of South Winneshiek Community School District as of and for the years ending June 30, 2004 through 2012, none of which is presented herein, and we expressed unmodified opinions on those basic financial statements. Those audits were conducted for purposes of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The schedule of revenues and expenditures of the governmental funds, the general fund revenues and expenditures, financial solvency, spending authority and student enrollment for the years 2004 through 2012 are presented for purposes of additional analysis and are not a required part of the basic financial statements. On page 40 the spending authority for fiscal year 2013 has not been audited and we express no opinion on it. On page 41 the estimated enrollment for fiscal year 2014 has not been audited and we express no opinion on it. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2004 through 2012 basic financial statements. The information has been subjected to the auditing procedures applied in the audits of those 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 financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information set forth in the required supplementary information for the years ending June 30, 2004 through 2012 appearing on pages 36 through 41, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2013, on our consideration of South Winneshiek Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Winneshiek Community School District's internal control over financial reporting and compliance.

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

Decorah, Iowa  
December 17, 2013

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

**Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2013**

Management of South Winneshiek Community School District provides this management's discussion and analysis of South Winneshiek Community School District's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

**FINANCIAL HIGHLIGHTS**

In total, net position increased by \$224,701. Net position of governmental activities increased by \$227,498, which represented 4.41% increase from fiscal year 2012. Property taxes decreased \$524,902 in the general fund and increased \$240,072 in the management fund. Charge for services decreased \$31,138 and operating grants decreased \$98,376 from fiscal year 2012. These numbers reflect the restatement in net position due to building assets being identified and depreciation updated.

General fund revenues accounted for \$6,415,243 in revenue or 80.40% of all revenues. General fund expenditures accounted for \$6,654,287 in expenditures or 79.97% of all expenditures.

**USING THE BASIC FINANCIAL STATEMENTS**

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

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

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

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

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

Other supplementary information provides detailed information about the nonmajor funds.

## REPORTING THE DISTRICT AS A WHOLE

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

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

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

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

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

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

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

## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

### *Fund Financial Statements*

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

### *Governmental Funds*

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

**REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS (Continued)**

*Governmental Funds (Continued)*

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

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

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

*Proprietary Funds*

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of financial position. The following is a summary perspective of the statement of net position of the District as a whole. The South Winneshiek Community School District's net position at the end of fiscal year 2013 totaled \$5,382,172.

	Condensed Statement of Net Position (Expressed in Thousands)							
	Governmental Activities		Business-type Activities		Total		Percent Change	
	2013	2012	2013	2012	2013	2012		
Current and other assets	\$ 6,233	\$ 6,039	\$ 62	\$ 81	\$ 6,295	\$ 6,120	2.86%	
Capital assets	3,578	6,268	37	31	3,615	6,299	-42.61%	
<b>Total assets</b>	<b>9,811</b>	<b>12,307</b>	<b>99</b>	<b>112</b>	<b>9,910</b>	<b>12,419</b>		
Long-term debt outstanding	446	516			446	516	-13.57%	
Other liabilities	4,070	3,533	12	23	4,082	3,556	14.79%	
<b>Total liabilities</b>	<b>4,516</b>	<b>4,049</b>	<b>12</b>	<b>23</b>	<b>4,528</b>	<b>4,072</b>		
<b>Net position</b>								
Invested in capital assets, net of related debt	3,453	6,076	37	31	3,490	6,107	-42.85%	
Restricted	715	802			715	802	-10.85%	
Unrestricted	1,127	1,380	50	58	1,177	1,438	-18.15%	
<b>Total net position</b>	<b>\$ 5,295</b>	<b>\$ 8,258</b>	<b>\$ 87</b>	<b>\$ 89</b>	<b>\$ 5,382</b>	<b>\$ 8,347</b>		

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following analysis shows the change in net assets for the years ending June 30, 2013 and 2012:

	Changes in Net Position (Expressed in Thousands)						Percent Change
	Governmental Activities		Business-type Activities		Total		
	2013	2012	2013	2012	2013	2012	
Revenues:							
Program revenue							
Charges for service	\$ 790	\$ 824	\$ 192	\$ 180	\$ 982	\$ 1,004	-2.19%
Operating grants	1,284	1,382	145	153	1,429	1,535	-6.91%
General revenue							
Property taxes	2,603	2,884			2,603	2,884	-9.74%
Sales tax and surtax	720	686			720	686	4.96%
Unrestricted state grants	2,528	2,461			2,528	2,461	2.72%
Unrestricted investment earnings	11	13			11	13	-15.38%
Other revenue	43	2			43	2	2050.00%
Total revenues	<u>7,979</u>	<u>8,252</u>	<u>337</u>	<u>333</u>	<u>8,316</u>	<u>8,585</u>	
Program expenses:							
Instruction	5,404	4,861			5,404	4,861	11.17%
Student support	1,821	1,763			1,821	1,763	3.29%
Non-instructional programs		1			-	1	-100.00%
Other expenses	527	681	339	339	866	1,020	-15.10%
Total expenses	<u>7,752</u>	<u>7,306</u>	<u>339</u>	<u>339</u>	<u>8,091</u>	<u>7,645</u>	
Increase (decrease) in net assets	227	946	(2)	(6)	225	940	-76.06%
Net position Beginning of Year (restated)	<u>5,068</u>	<u>7,312</u>	<u>89</u>	<u>95</u>	<u>5,157</u>	<u>7,407</u>	-30.38%
Net position End of Year	<u>\$ 5,295</u>	<u>\$ 8,258</u>	<u>\$ 87</u>	<u>\$ 89</u>	<u>\$ 5,382</u>	<u>\$ 8,347</u>	

### INDIVIDUAL FUND ANALYSIS

As the District completed the year, its governmental funds reported a combined fund balance of \$2,163,700, a \$341,193 decrease from the 2012 fiscal year end balance of \$2,504,893.

- The general fund received more revenue during fiscal year 2013 through federal sources and received less revenue from state sources. The general fund expenditures increased for instruction by 4.63% and for support services by 6.84%. The ending fund balance of \$1,555,263 showed a decrease of \$239,044 from the prior year balance of \$1,794,307.
- The management levy fund balance increased by \$123,204 for fiscal year 2013 due to an increase in property tax revenue.
- The physical plant and equipment levy (PPEL) fund balance decreased \$11,468 during fiscal year 2013. The District increased spending from the PPEL fund to reduce expenditures in the general fund as permitted by law.
- The statewide sales, services and use tax fund balance decreased by \$232,569 due to increase in spending for capital projects that took place during the fiscal year.

## BUDGETARY HIGHLIGHTS

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

The following chart shows the original and amended budget for fiscal 2013 as well as the actual revenue and expenditures for the year:

	Budgetary Comparison Schedule (Expressed in Thousands)				
	Actual Basis	Budget Amounts		Variance	
		Original	Final		
<b>Revenues</b>					
Local sources	\$ 4,362	\$ 3,899	\$ 3,899	\$ 463	
Intermediate sources		5	5	(5)	
State sources	3,470	3,811	3,811	(341)	
Federal sources	486	473	473	13	
<b>Total revenues</b>	<b>\$ 8,318</b>	<b>\$ 8,188</b>	<b>\$ 8,188</b>	<b>\$ 130</b>	
<b>Expenditures</b>					
Instruction	\$ 5,258	\$ 5,363	\$ 5,363	\$ 105	
Student support	2,008	2,425	2,425	417	
Non-instructional programs	339	305	350	11	
Other expenses	1,054	716	966	(88)	
<b>Total expenditures</b>	<b>\$ 8,659</b>	<b>\$ 8,809</b>	<b>\$ 9,104</b>	<b>\$ 445</b>	

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

At the end of fiscal year 2013, South Winneshiek Community School District had \$3,578,359 invested in a broad range of capital assets, including buildings, land and equipment for the governmental activities. For the enterprise funds, the District had \$36,944 invested in equipment in the school nutrition fund.

The District had depreciation expense of \$187,726 for fiscal year 2013 and total accumulated depreciation of \$2,475,523 as of June 30, 2013 for the governmental activities. The District had depreciation expense of \$5,981 for fiscal year 2013 and total accumulated depreciation of \$67,876 as of June 30, 2013 for the business-type activities. The restatement in net position is due to the building assets being identified and depreciation updated. More detailed information about the District’s capital assets is presented in Note 3 to the financial statements.

## CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

### *Debt*

At year-end, the District had \$218,274 in debt compared to \$346,871 last year. More detail is presented in Note 5 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt that districts can issue to 5 percent of the assessed value of all taxable property within the District's corporate limits. The District's outstanding general obligation debt is significantly below this \$10,267,996 limit.

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The District's revenue is tied directly to student enrollment. The District's certified enrollment decreased from FY13 537.37 to FY14 532.42 which is a net loss of 4.95 students.
- An early retirement package was offered, staff retirements will assist with keeping the District costs down through reassignment or attrition.
- Due to the state not allowing us to take out a cash reserve levy our tax rate has decreased.
- The allowable growth percentage has not yet been determined. Depending upon what the legislation sets for allowable growth; will determine how much money per pupil we will receive as a District.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2013

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments			
Other	\$ 3,001,702	\$ 53,396	\$ 3,055,098
Receivables			
Property tax			
Delinquent	28,603		28,603
Succeeding year	2,787,326		2,787,326
Accounts	193,315		193,315
Due from other governments	221,767		221,767
Inventories		8,704	8,704
Capital assets, non-depreciable	557,470		557,470
Capital assets, net of accumulated depreciation	3,020,889	36,944	3,057,833
<b>Total assets</b>	<b>\$ 9,811,072</b>	<b>\$ 99,044</b>	<b>\$ 9,910,116</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 459,159	\$ 8,972	\$ 468,131
Salaries and benefits payable	653,036	3,479	656,515
Deferred revenue			
Succeeding year property tax	2,787,326		2,787,326
Other	169,492		169,492
Long-term liabilities			
Portion due within one year			
Lease payable	62,220		62,220
Early retirement	46,329		46,329
Portion due after one year			
Lease payable	63,402		63,402
Early retirement	46,323		46,323
Net OPEB obligation	228,206		228,206
<b>Total liabilities</b>	<b>4,515,493</b>	<b>12,451</b>	<b>4,527,944</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	3,452,737	36,944	3,489,681
Restricted for			
Capital projects	112,089		112,089
Management levy purposes	206,943		206,943
Physical plant and equipment	221,288		221,288
Student activities	68,117		68,117
Categorical funding	107,329		107,329
Unrestricted	1,127,076	49,649	1,176,725
<b>Total net position</b>	<b>5,295,579</b>	<b>86,593</b>	<b>5,382,172</b>
<b>Total liabilities and net position</b>	<b>\$ 9,811,072</b>	<b>\$ 99,044</b>	<b>\$ 9,910,116</b>

See Notes to Financial Statements.

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SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
June 30, 2013

Functions and Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants
<b>Governmental activities</b>			
<b>Instruction</b>			
Regular instruction	\$ 2,990,792	\$ 290,390	\$ 889,409
Special instruction	1,176,808	7,273	89,321
Other instruction	1,236,696	35,175	3,837
	<u>5,404,296</u>	<u>332,838</u>	<u>982,567</u>
<b>Support services</b>			
Student services	238,163	426,477	
Instructional staff services	115,962		
Administration services	633,518		
Operation and maintenance plant services	514,120		
Transportation services	380,236	10,642	52,275
	<u>1,881,999</u>	<u>437,119</u>	<u>52,275</u>
<b>Non-instructional</b>			
<b>Other</b>			
Long-term debt interest	3,547		
Facilities acquisition	53,073		
AEA flowthrough	249,144		249,144
Depreciation (unallocated)	159,845		
	<u>465,609</u>	<u>-</u>	<u>249,144</u>
<b>Total governmental activities</b>	<b>7,751,904</b>	<b>789,751</b>	<b>1,283,986</b>
<b>Business-type activities</b>			
<b>Non-instructional programs</b>			
Nutrition services	350,747	192,375	143,788
<b>Total</b>	<b>\$ 8,102,651</b>	<b>\$ 982,126</b>	<b>\$ 1,427,774</b>
<b>General revenues</b>			
Property taxes levied for			
General purposes			
Management			
PPEL			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
<b>Total general revenues</b>			
Change in net position			
Net position, beginning of year (restated)			
Net position, end of year			

See Notes to Financial Statements.

EXHIBIT B

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (1,810,993)		\$ (1,810,993)
(1,080,214)		(1,080,214)
(1,197,684)		(1,197,684)
(4,088,891)		(4,088,891)
188,314		188,314
(115,962)		(115,962)
(633,518)		(633,518)
(514,120)		(514,120)
(317,319)		(317,319)
(1,392,605)		(1,392,605)
19,794		19,794
(3,547)		(3,547)
(53,073)		(53,073)
-		-
(159,845)		(159,845)
(216,465)	\$ -	(216,465)
(5,678,167)	-	(5,678,167)
	(14,584)	(14,584)
(5,678,167)	(14,584)	(5,692,751)
2,132,694		2,132,694
350,102		350,102
120,685		120,685
720,525		720,525
2,527,893		2,527,893
11,121	107	11,228
42,645		42,645
5,905,665	107	5,905,772
227,498	(14,477)	213,021
5,068,081	101,070	5,169,151
\$ 5,295,579	\$ 86,593	\$ 5,382,172

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SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

	General	Special Revenue Management Levy	Capital Projects Physical Plant and Equipment Levy
<b>ASSETS</b>			
Cash and pooled investments			
Other	\$ 2,315,280	\$ 202,499	\$ 219,999
Receivables			
Property tax			
Delinquent	27,072		1,531
Succeeding year	2,257,381	400,000	129,945
Accounts	106,312	4,444	
Due from other funds			
Due from other governments	137,021		84,746
<b>Total assets</b>	<b>\$ 4,843,066</b>	<b>\$ 606,943</b>	<b>\$ 436,221</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 267,141		\$ 242
Due to other funds	25,499		
Salaries and benefits payable	653,036		
Deferred revenue			
Succeeding year property tax	2,257,381	\$ 400,000	129,945
Other	84,746		84,746
<b>Total liabilities</b>	<b>3,287,803</b>	<b>400,000</b>	<b>214,933</b>
Fund balances			
Restricted for			
Other purposes	107,329		
Management levy purposes		206,943	
Student activities			
School infrastructure			
Physical plant and equipment			221,288
Unassigned	1,447,934		
<b>Total fund balances</b>	<b>1,555,263</b>	<b>206,943</b>	<b>221,288</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,843,066</b>	<b>\$ 606,943</b>	<b>\$ 436,221</b>

See Notes to Financial Statements.

EXHIBIT C

<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 195,807	\$ 68,117	\$ 3,001,702
		28,603
		2,787,326
82,559		193,315
25,499		25,499
		221,767
<u>\$ 303,865</u>	<u>\$ 68,117</u>	<u>\$ 6,258,212</u>
\$ 191,776		\$ 459,159
		25,499
		653,036
		2,787,326
		169,492
<u>191,776</u>	<u>\$ -</u>	<u>4,094,512</u>
		107,329
		206,943
112,089	68,117	68,117
		112,089
		221,288
		1,447,934
<u>112,089</u>	<u>68,117</u>	<u>2,163,700</u>
<u>\$ 303,865</u>	<u>\$ 68,117</u>	<u>\$ 6,258,212</u>

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET POSITION

Total governmental fund balances	\$ 2,163,700
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, net of accumulated depreciation of \$2,475,523	3,578,359
Other liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds	
Lease payable	(125,622)
Early retirement	(92,652)
Net OPEB obligation	(228,206)
Net position of governmental activities per Exhibit A	<u>\$ 5,295,579</u>

See Notes to Financial Statements.

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SOUTH WINNESHEIK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
June 30, 2013

	General	Special Revenue Management Levy	Capital Projects Physical Plant and Equipment Levy
<b>REVENUES</b>			
Local sources			
Local property tax	\$ 2,132,695	\$ 350,102	\$ 120,685
Tuition	262,795		
Other	207,874	588	99,670
State sources	3,467,383		
Federal sources	344,496		
<b>Total revenues</b>	<b>6,415,243</b>	<b>350,690</b>	<b>220,355</b>
<b>EXPENDITURES</b>			
Current			
Instruction			
Regular instruction	2,759,476	113,396	
Special instruction	1,148,927		
Other instruction	828,903		
	<u>4,737,306</u>	<u>113,396</u>	
Support services			
Student services	176,729	375	
Instructional staff services	78,385		224,258
Administration services	625,626	7,892	
Operation and maintenance plant services	436,764	77,356	
Transportation services	350,333	28,467	1,436
	<u>1,667,837</u>	<u>114,090</u>	<u>225,694</u>
Other			
Long-term debt			
Principal			
Interest and fiscal charges			
Facilities acquisition			6,129
AEA flowthrough	249,144		
	<u>249,144</u>	<u>-</u>	<u>6,129</u>
<b>Total expenditures</b>	<b>6,654,287</b>	<b>227,486</b>	<b>231,823</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(239,044)</b>	<b>123,204</b>	<b>(11,468)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			
Transfers (out)			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES</b>	<b>(239,044)</b>	<b>123,204</b>	<b>(11,468)</b>
<b>FUND BALANCE, beginning of year</b>	<b>1,794,307</b>	<b>83,739</b>	<b>232,756</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 1,555,263</b>	<b>\$ 206,943</b>	<b>\$ 221,288</b>

See Notes to Financial Statements.

EXHIBIT D

Capital Projects Statewide Sales, Services and Use Tax	Other Governmental Funds	Total Governmental Funds
		\$ 2,603,482
		262,795
\$ 566,638	\$ 426,477	1,301,247
		3,467,383
		344,496
566,638	426,477	7,979,403
		2,872,872
		1,148,927
	407,793	1,236,696
	407,793	5,258,495
		177,104
		302,643
		633,518
		514,120
		380,236
-	-	2,007,621
	61,059	61,059
	3,547	3,547
734,601		740,730
		249,144
734,601	64,606	1,054,480
734,601	472,399	8,320,596
(167,963)	(45,922)	(341,193)
	64,606	64,606
(64,606)		(64,606)
(64,606)	64,606	-
(232,569)	18,684	(341,193)
344,658	49,433	2,504,893
\$ 112,089	\$ 68,117	\$ 2,163,700

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds	\$	(341,193)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.</p>		
Depreciation	\$	(187,726)
Capital outlays	687,657	499,931
<p>Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.</p>		
		61,059
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Early retirement	\$	67,538
Net OPEB liability	(59,837)	7,701
Change in net position of governmental activities per Exhibit B	\$	227,498

See Notes to Financial Statements.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
June 30, 2013

	<u>School Nutrition Fund</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 53,396
Inventories	8,704
<b>Total current assets</b>	<b>62,100</b>
<b>NONCURRENT ASSETS</b>	
Furniture and equipment	104,820
Less accumulated depreciation	(67,876)
<b>Total noncurrent assets</b>	<b>36,944</b>
<b>Total assets</b>	<b>\$ 99,044</b>
<b>LIABILITIES AND NET POSITION</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 8,972
Salaries and benefits payable	3,479
<b>Total liabilities</b>	<b>12,451</b>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	36,944
Unrestricted	49,649
<b>Total net position</b>	<b>86,593</b>
<b>Total liabilities and net position</b>	<b>\$ 99,044</b>

See Notes to Financial Statements.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
For the Year Ended June 30, 2013

	<u>School Nutrition Fund</u>
<b>OPERATING REVENUES</b>	
Local sources	
Charges for services	\$ 192,375
<b>OPERATING EXPENSES</b>	
Non-instructional programs	
Food service operations	
Salaries and benefits	175,762
Purchased services	159,226
Supplies	9,778
Depreciation	5,981
<b>Total operating expenses</b>	<u>350,747</u>
Operating loss	<u>(158,372)</u>
<b>NONOPERATING REVENUES</b>	
Interest on investments	107
State sources	2,820
Federal sources	140,968
<b>Total nonoperating revenues</b>	<u>143,895</u>
Change in net position	(14,477)
Net position, beginning of year, restated	<u>101,070</u>
Net position, end of year	<u>\$ 86,593</u>

See Notes to Financial Statements.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Year Ended June 30, 2013

	<u>School Nutrition Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from sale of lunches and breakfasts	\$ 192,375
Cash payments to employees for services	(187,294)
Cash payments to vendors for goods and services	(131,569)
Cash payments to suppliers for goods and services	(8,840)
	<u>(135,328)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State and federal grants received	116,778
	<u>116,778</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	107
	<u>(18,443)</u>
CASH, beginning of year	71,839
CASH, end of year	<u>\$ 53,396</u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>	
Operating loss	\$ (158,372)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	5,981
Commodities used	27,010
Decrease in inventories	938
Increase in accounts payable	647
Decrease in salaries and benefits payable	(11,532)
	<u>(135,328)</u>
Net cash used in operating activities	<u>\$ (135,328)</u>

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

During the year ended June 30, 2013, the District received commodities valued at \$27,010.

See Notes to Financial Statements.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

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

b. Significant Accounting Policies

*Scope of Reporting Entity*

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

*Jointly Governed Organizations*

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

*District-wide Financial Statements*

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

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

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

b. Significant Accounting Policies (Continued)

*Fund Financial Statements*

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The major funds of the financial reporting entity are described below:

*Governmental*

*General Fund*

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

*Management Levy-Special Revenue Fund*

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

*Capital Projects Funds*

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

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

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

*Proprietary Fund*

*Enterprise Fund*

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

*Measurement Focus*

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

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

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

b. Significant Accounting Policies (Continued)

*Measurement Focus (Continued)*

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

- a. All governmental fund financial statements are accounted for on current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources." Governmental fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in fund balances. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.
- b. The District-wide statements and proprietary funds are accounted for on economic resources measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their statement of net position. In reporting the financial activity on the proprietary fund statements, the District applies all applicable GASB pronouncements.

*Basis of Accounting*

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

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

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

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

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

b. Significant Accounting Policies (Continued)

*Basis of Accounting (Continued)*

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

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

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

*Assets, Liabilities and Equity*

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

*Cash and Investments*

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

For the purpose of the statement of cash flows, all short-term 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, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. 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.

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

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Equity (Continued)*

*Due from Other Governments*

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

*Inventories*

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

*Capital Assets*

Capital assets, which include property, furniture, equipment and intangibles, are reported in the applicable governmental or business-type activities columns in the District-wide statement of net position. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Capital assets in the proprietary fund are capitalized in the fund in which they are utilized. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years:

Asset Class	Amount
Land	\$ 500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	25,000
Furniture and equipment:	
School nutrition fund equipment	500
Other furniture and equipment	2,500

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	5-20 years
Intangibles	5-10 years
Furniture and equipment	3-15 years

*Salaries and Benefits Payable*

Payroll and related expenditures or expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities. Also, wages for hourly employees earned in June and paid in July have been accrued as liabilities. The rate in effect at June 30, 2013 was used to calculate the salaries payable.

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Equity (Continued)*

*Deferred Revenue*

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

*Long-term Obligation*

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

*Compensated Absences*

District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. In addition, employees are allowed to take early retirement if they meet certain qualifications set by the Board of Education. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013.

*Fund Balance*

In the governmental fund financial statements:

Restrictions of fund balance are reported for amounts restricted to specific purposes when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned fund balance is the remaining fund balance which is only reported in the general fund.

*Net Position*

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

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

Unrestricted net positions represent the difference between assets and liabilities that are not restricted and can be used for future obligations of the District.

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Equity (Continued)*

*Budgets and Budgetary Accounting*

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2013, expenditures in the "other" function exceeded the amounts budgeted.

*Management Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits and 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 investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Services.

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

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NOTES TO FINANCIAL STATEMENTS

3. Capital Assets

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

	Balance June 30, 2012 (Restated)	Additions	Deletions	Balance June 30, 2013
<b>Governmental activities</b>				
Land	\$ 90,962	\$ 11,300		\$ 102,262
Construction in progress	148,847	455,208	\$ 148,847	455,208
	<u>\$ 239,809</u>	<u>\$ 466,508</u>	<u>\$ 148,847</u>	<u>\$ 557,470</u>
<b>Capital assets subject to depreciation</b>				
Land improvements	\$ 168,737			\$ 168,737
Buildings	4,502,885	\$ 249,909		4,752,794
Furniture and equipment	454,794	120,087		574,881
<b>Total capital assets being depreciated</b>	<u>5,126,416</u>	<u>369,996</u>	<u>\$ None</u>	<u>5,496,412</u>
<b>Less accumulated depreciation for:</b>				
Land improvements	58,633	8,174		66,807
Buildings	1,924,684	151,671		2,076,355
Furniture and equipment	304,480	27,881		332,361
<b>Total accumulated depreciation</b>	<u>2,287,797</u>	<u>187,726</u>	<u>None</u>	<u>2,475,523</u>
<b>Governmental activities</b>				
Capital assets	<u>\$ 2,838,619</u>	<u>\$ 182,270</u>	<u>\$ None</u>	<u>\$ 3,020,889</u>
<b>Business-type activities</b>				
Furniture and equipment	\$ 104,820			\$ 104,820
Less accumulated depreciation	61,895	\$ 5,981		67,876
<b>Business-type activities</b>				
Capital assets, net	<u>\$ 42,925</u>	<u>\$ (5,981)</u>	<u>\$ None</u>	<u>\$ 36,944</u>

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

<b>Governmental activities</b>	
Transportation	\$ 27,881
Unallocated depreciation	<u>159,845</u>
<b>Total governmental activities</b>	<u>\$ 187,726</u>
<b>Business-type activities</b>	
Food services	<u>\$ 5,981</u>

NOTES TO FINANCIAL STATEMENTS

4. Due from Other Governments

Due from other governments consist of the following at June 30, 2013:

Governmental		
General fund		
Transportation aid, non-public	\$	52,275
Income surtax		84,746
		137,021
PPEL		
Income surtax		84,746
Total intergovernmental	\$	221,767

5. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Governmental activities					
Bonds					
General obligation	\$   None		\$   None	\$   None	\$   None
Other liabilities					
Lease payable	186,681	\$   None	61,059	125,622	62,220
Early retirement	160,190	None	67,538	92,652	46,329
Governmental activities					
Long-term liabilities	\$ 346,871	\$   None	\$ 128,597	\$ 218,274	\$ 108,549

a. Early Retirement

The District had offered in previous years a voluntary early retirement plan to its employees. For the most recent plan employees qualifying for the District's early retirement must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement was subject to approval by the Board of Education and no more than five employees per year were granted benefits under the policy.

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

At June 30, 2013, the District has obligations to eight participants with a total liability of \$92,652. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$67,538.

NOTES TO FINANCIAL STATEMENTS

5. **Long-term Debt Obligations (Continued)**

b. **Bonded Indebtedness**

There were no interest costs incurred and charged to expenses for the year ended June 30, 2013.

At June 30, 2013, the debt issued by the District did not exceed its legal debt margin compiled as follows:

Total assessed valuation		<u>\$ 205,359,916</u>
Debt limit – 5% of total assessed valuation		\$ 10,267,996
Debt applicable to debt limit		
Capital leases		<u>(125,622)</u>
Legal debt margin		<u>\$ 10,142,374</u>

c. **Capital Leases**

The District has leased several computers under capital leases. The following is a schedule of future minimum lease payments under the capital leases, together with the net present value of the minimum lease payments as of June 30, 2013.

		Amount
Year ending June 30,		
2014	\$	62,220
2015		<u>63,402</u>
Minimum lease payments	\$	<u>125,622</u>

6. **Interfund Transfers**

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

	Transfers In	Transfers Out
Capital projects SSSUT fund		\$ 64,606
Debt service fund	<u>\$ 64,606</u>	
Total	<u>\$ 64,606</u>	<u>\$ 64,606</u>

Transfers are to move resources from the capital projects fund to the debt service fund to help pay lease obligations.

7. **Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78%, 5.38%, and 4.5% of their annual covered salary and the District is required to contribute 8.67%, 8.07%, and 6.95% of annual covered salary for the years ended June 30, 2013, 2012, and 2011, respectively. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$311,160, \$284,808, and \$228,405, respectively, equal to the required contributions for each year.

8. Other Postemployment Benefits (OPEB)

*Plan Description*

As explained in Note 9, the District is a member of the Northeast Iowa Schools Insurance Trust (trust) which provides medical and prescription drug benefits for retirees and their spouses. South Winneshiek Community School District has 67 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

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

*Funding Policy*

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

*Annual OPEB Cost and Net OPEB Obligation*

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

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

Annual required contribution	\$	64,154
Interest on net OPEB obligation		5,094
Adjustment to prior year beginning number		35,393
Adjustment to annual required contribution		<u>(22,333)</u>
Annual OPEB cost		82,308
Contributions made		<u>(22,470)</u>
Increase in net OPEB obligation		59,838
Net OPEB obligation beginning of year		<u>168,368</u>
Net OPEB obligation end of year	\$	<u><u>228,206</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 end June 30, 2013.

For the year ended June 30, 2013, the District contributed \$22,470 to the medical plan for the OPEB obligation. Plan members eligible for benefits contributed \$None of the premium costs for the OPEB obligation.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized below as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 52,028	0%	\$ 106,273
June 30, 2011	36,073	14.30%	137,182
June 30, 2012	36,973	17.91%	168,369
June 30, 2013	82,308	27.30%	228,206

8. Other Postemployment Benefits (OPEB) (Continued)

*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 \$367,905, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$367,905. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3.049 million, and the ratio of the UAAL to covered payroll was 12.07%. As of June 30, 2013, there were no trust fund assets.

*Actuarial Methods and Assumptions*

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

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

As of July 1, 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%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$543 to \$747, depending on the type of coverage, per month for retirees less than age 65 and the plan coverage terminates upon reaching Medicare eligibility (age 65). The salary increase rate was assumed to be 0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

9. Employee Insurance Plan

Monthly payments of service fees and plan contributions are recorded as expenditures in the general fund at the time of payment to the Northeast Iowa Schools Insurance Trust (trust) maintained by Midwest Group Benefits Consultants, Inc. The trust's Board of Directors decided to terminate the self-funded health plans, effective July 1, 2009, and change to partially self-funded plans using fully insured health plans through Wellmark Blue Cross/Blue Shield. There were three new plans offered to the schools. The trust assumes liability for claims on its three plans as follows: Plan 1-between \$500 and \$5,000 for single coverage and \$1,000 and \$10,000 for family coverage, Plan 2-between \$1,000 and \$5,000 for single coverage and \$2,000 and \$10,000 for family coverage and Plan 3-between \$2,000 and \$5,000 for single coverage and \$4,000 and \$10,000 for family coverage. All plans include coinsurance and Plan 2 includes copayments. Claims in excess of the deductible are insured through the purchase of insurance. The District may be contingently liable for any claims in excess of funds available at June 30, 2013, since the pool arrangement allows the trust to make additional assessments to members. The District's share of the trust's liability for any unreported claim or assessment at June 30, 2013 was unavailable as of December 17, 2013. The District contributions to the trust for the years ended June 30, 2013, 2012, and 2011 were \$673,476, \$601,519, and \$545,989, respectively, which equaled the required contributions each year.

NOTES TO FINANCIAL STATEMENTS

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9. Employee Insurance Plan (Continued)

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2013, no liability has been recorded in the District's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance company coverage.

10. Risk Management

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

11. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$249,144 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.

12. Cafeteria Plan

The District sponsors a Section 125 cafeteria plan as a part of its contractual obligation with its employees. Each participating employee must carry single health coverage. Additionally, participants may elect salary reduction to cover family health insurance, non-covered medical and dental expenses and day care. There were 73 participants in the plan for the plan year ended December 31, 2012.

13. Contingencies

a. Grant Funding

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2013 significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

b. Insurance Plan

As discussed in Note 9, the District is contingently liable for any unreported claim or assessment in excess of their balance in the insurance pool.

14. New Governmental Accounting Standards Board (GASB) Standards

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

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

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

NOTES TO FINANCIAL STATEMENTS

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14. New Governmental Accounting Standards Board (GASB) Standards (Continued)

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

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

15. Accounting Change

Governmental Accounting Standards Board Statements No. 61 *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 3*; No. 62 *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* were implemented during fiscal year 2013.

16. Restatement

Beginning net position was restated in the governmental funds, due to correction of recording capital assets of equipment, by a decrease of \$3,189,469 from the prior year. Beginning net position was restated in the business-type funds, also due to correction of recording capital assets of equipment, by an increase of \$11,680 from the prior year.

17. Subsequent Events

Management has evaluated subsequent events through December 17, 2013, the date on which the financial statements were available to be issued.

Required Supplementary Information

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE OF  
REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND  
For the Year Ended June 30, 2013

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual
<b>REVENUES</b>			
Local sources	\$ 4,167,524	\$ 192,482	\$ 4,360,006
Intermediate sources			
State sources	3,467,383	2,820	3,470,203
Federal sources	344,496	140,968	485,464
<b>Total revenues</b>	<b>7,979,403</b>	<b>336,270</b>	<b>8,315,673</b>
<b>EXPENDITURES/EXPENSES</b>			
Instruction	5,258,495		5,258,495
Support services	2,007,621		2,007,621
Non-instructional		350,747	350,747
Other	1,054,480		1,054,480
<b>Total expenditures/expenses</b>	<b>8,320,596</b>	<b>350,747</b>	<b>8,671,343</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES</b>	<b>(341,193)</b>	<b>(14,477)</b>	<b>(355,670)</b>
<b>OTHER FINANCING SOURCES, NET</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES/EXPENSES AND OTHER FINANCING USES</b>	<b>(341,193)</b>	<b>(14,477)</b>	<b>(355,670)</b>
<b>FUND BALANCE, beginning of year</b>	<b>2,504,893</b>	<b>101,070</b>	<b>2,605,963</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 2,163,700</b>	<b>\$ 86,593</b>	<b>\$ 2,250,293</b>

See Notes to Required Supplementary Information.

Budget Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 3,898,850	\$ 3,898,850	\$ 461,156
5,195	5,195	(5,195)
3,811,254	3,811,254	(341,051)
473,153	473,153	12,311
8,188,452	8,188,452	127,221
5,363,000	5,363,000	104,505
2,424,654	2,424,654	417,033
305,000	350,000	(747)
715,736	965,736	(88,744)
8,808,390	9,103,390	432,047
(619,938)	(914,938)	559,268
-	-	-
(619,938)	(914,938)	559,268
2,219,837	2,219,837	386,126
\$ 1,599,899	\$ 1,304,899	\$ 945,394

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2013

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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. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the modified accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the general fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment, increasing budgeted expenditures by \$295,000.

During the year ended June 30, 2013, expenditures in the other function exceeded the amounts budgeted.

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

Fiscal Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 439	\$ 439	0.0%	\$ 3,192	13.75%
2010	July 1, 2008	-	\$ 449	\$ 449	0.0%	\$ 2,948	15.23%
2011	July 1, 2010	-	\$ 369	\$ 369	0.0%	\$ 2,839	13.00%
2012	July 1, 2010	-	\$ 369	\$ 369	0.0%	\$ 3,043	12.13%
2013	July 1, 2012	-	\$ 368	\$ 368	0.0%	\$ 3,049	12.07%

See Note 8 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2013

	Special Revenue Student Activity	Debt Service	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and pooled investments	\$ 68,117		\$ 68,117
Total assets	\$ 68,117	\$ -	\$ 68,117
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Total liabilities	\$ -	\$ -	\$ -
<b>Fund balances</b>			
Restricted for			
Student activities	68,117		68,117
Total fund balances	68,117	-	68,117
Total liabilities and fund balances	\$ 68,117	\$ -	\$ 68,117

See Independent Auditor's Report.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2013

	Special Revenue Student Activity	Debt Service	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Local sources			
Other	\$ 426,477		\$ 426,477
Total revenues	426,477	\$ -	426,477
<b>EXPENDITURES</b>			
Current			
Instruction			
Other instruction	407,793		407,793
Other			
Long-term debt			
Principal		61,059	61,059
Interest and fiscal charges		3,547	3,547
Total expenditures	407,793	64,606	472,399
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18,684	(64,606)	(45,922)
<b>OTHER FINANCING SOURCES</b>			
Transfers in		64,606	64,606
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	18,684	-	18,684
FUND BALANCE, beginning of year	49,433	-	49,433
FUND BALANCE, end of year	\$ 68,117	\$ -	\$ 68,117

See Independent Auditor's Report.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 For the Year Ended June 30, 2013

	Balance June 30, 2012	Revenues	Expenditures	Adjustments	Balance June 30, 2013
Spanish Club	\$ 112				\$ 112
HS Trips	-	\$ 125,500	\$ 123,326	\$ (1,156)	1,018
Music, Senior High	-	895	1,249	354	-
National Honor Society	-	13	290	277	-
All Athletic	-	29,421	21,729	(6,347)	1,345
Football	3,000	34,115	30,241	(1,802)	5,072
Cross Country	-	3,109	4,240	1,131	-
Volleyball	508	10,006	5,385		5,129
Boys' Basketball	318	4,382	4,043		657
Girls' Basketball	1,500	4,893	4,723		1,670
Wrestling	-	9,814	10,720	906	-
Boys' Track	-	2,283	5,888	3,605	-
Girls' Track	-	2,872	4,348	1,476	-
Boys' Golf	-	234	751	649	132
Girls' Golf	-		391	391	-
Baseball	(739)	12,769	13,673	1,793	150
Softball	-	4,537	4,088		449
Cheerleaders, Senior High	5,000	7,197	7,111		5,086
All Fine Arts	2	134	223	87	-
Art Senior High	-	38			38
Student Council, Middle School	200	40			240
Student Council, Senior High	31	3,605	2,305	363	1,694
Yearbook	12,000	16,360	21,348	(52)	6,960
Band, Senior High	-	17,963	18,774	811	-
Flag Corp.	400	140	137		403
Choir, Senior High	-	93	626	533	-
Drama/Musical	1,500	5,845	3,077	(2,597)	1,671
Speech Activity and Debate	-		1,966	1,966	-
Drama Club	1,528				1,528
Activity Fee	-	4,980		(3,333)	1,647
Interest	(5)	156			151
Sub-totals	25,355	301,394	290,652	(945)	35,152

See Independent Auditor's Report.

SOUTH WINNESHEIK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
For the Year Ended June 30, 2013

	Balance June 30, 2012	Revenues	Expenditures	Adjustments	Balance June 30, 2013
Sub-totals	\$ 25,355	\$ 301,394	\$ 290,652	\$ (945)	\$ 35,152
Field Trips-Elem/MS	638	14,431	13,352	(606)	1,111
Food and Fitness	3,487	1,453	1,202		3,738
National Honor Society - CD	4,160				4,160
Field Trips-HS	-	1,122	277	956	1,801
Supt. AEA Fund	-	964	242		722
SW/TV Meetings	-	700			700
Elementary	5,940	9,835	5,478	(7)	10,290
Class of 2017	477			(357)	120
Class of 2016	(38)	598	563	119	116
Class of 2015	200	2,207	426	119	2,100
Class of 2014	1,866	5,926	6,360	(516)	916
Class of 2013	253	2,003	2,954	600	(98)
Resale	-	18,439	18,280		159
Middle School Activity	595	2,926	4,127	606	-
SODA	300	2,377	1,687	(162)	828
FFA	5,000	33,116	32,914	(100)	5,102
Industrial Arts	1,200				1,200
FFA-Scotland	-	28,991	29,091	100	-
	<u>\$ 49,433</u>	<u>\$ 426,482</u>	<u>\$ 407,605</u>	<u>\$ (193)</u>	<u>\$ 68,117</u>

See Independent Auditor's Report.

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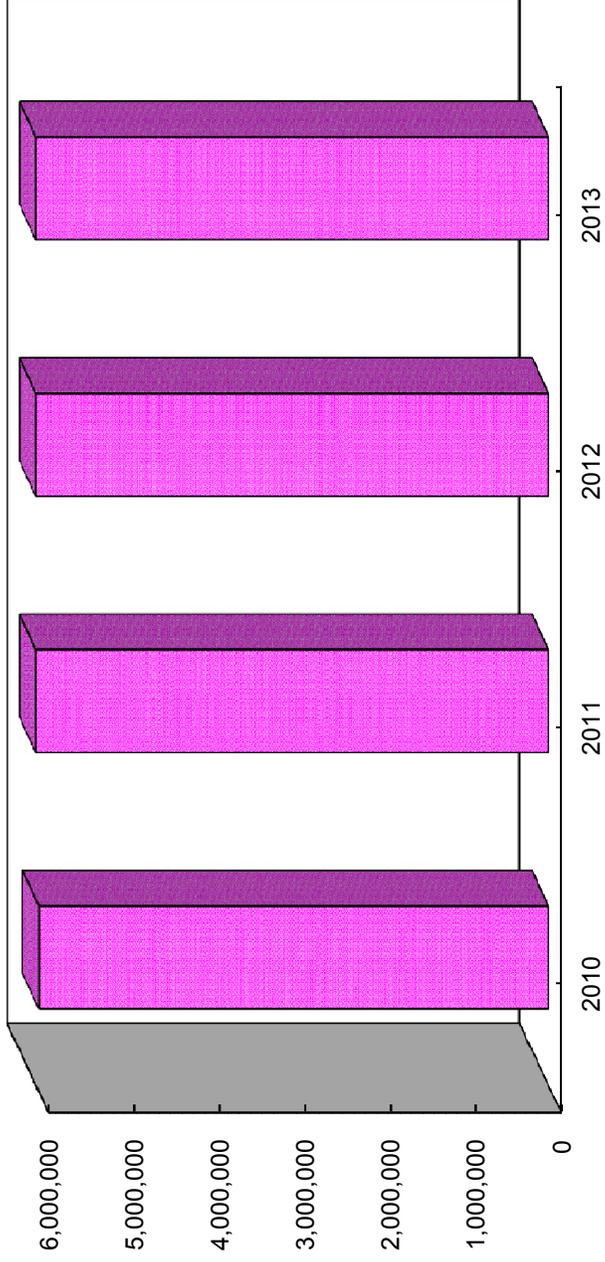
SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
 GOVERNMENTAL FUNDS  
 For the Years Ended June 30,

	2013	2012	2011	2010
<b>REVENUES</b>				
Local sources				
Local tax	\$ 2,603,482	\$ 2,884,018	\$ 2,733,055	\$ 2,583,190
Tuition	262,795	226,614	231,693	141,557
Other	1,301,247	1,286,069	1,115,461	1,100,917
Intermediate sources				
State sources	3,467,383	3,409,559	3,257,030	2,922,810
Federal sources	344,496	445,871	331,966	581,779
<b>Total revenues</b>	<b>\$ 7,979,403</b>	<b>\$ 8,252,131</b>	<b>\$ 7,669,205</b>	<b>\$ 7,330,253</b>
<b>EXPENDITURES</b>				
Current				
Instruction				
Regular instruction	\$ 2,872,872	\$ 2,983,938	\$ 2,825,428	\$ 2,740,582
Special instruction	1,148,927	969,065	816,684	766,563
Other instruction	1,236,696	965,554	976,074	965,005
Support services				
Student services	177,104	175,782	178,987	177,303
Instructional staff services	302,643	227,750	103,415	159,720
Administration services	633,518	587,736	583,037	593,083
Maintenance plant services	514,120	421,226	457,009	412,085
Transportation services	380,236	351,298	344,487	439,660
Non-instructional		1,264	1,364	1,464
Other				
Long-term debt				
Principal	61,059	63,379		225,000
Interest and fiscal charges	3,547	1,227		12,100
Facilities acquisition	740,730	510,763	774,791	646,322
AEA flowthrough	249,144	246,788	278,181	275,156
<b>Total expenditures</b>	<b>\$ 8,320,596</b>	<b>\$ 7,505,770</b>	<b>\$ 7,339,457</b>	<b>\$ 7,414,043</b>

See Independent Auditor's Report.

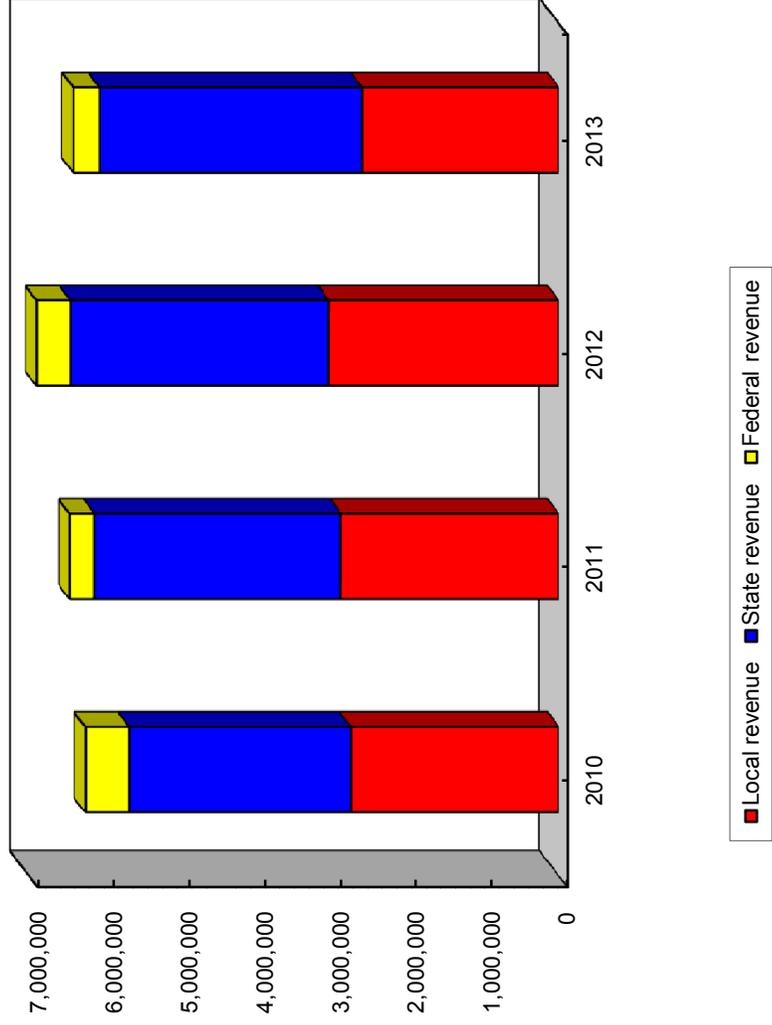
Modified Accrual					
2009	2008	2007	2006	2005	2004
\$ 2,410,317	\$ 2,229,013	\$ 2,117,458	\$ 2,261,697	\$ 2,165,155	\$ 2,624,957
87,995	87,176	49,310	85,372	86,313	72,205
1,116,511	1,068,364	1,103,752	862,243	935,610	415,363
					635
3,283,104	3,376,138	3,056,643	2,819,326	3,018,187	2,895,426
191,449	215,061	190,094	193,575	207,209	211,816
<u>\$ 7,089,376</u>	<u>\$ 6,975,752</u>	<u>\$ 6,517,257</u>	<u>\$ 6,222,213</u>	<u>\$ 6,412,474</u>	<u>\$ 6,220,402</u>
\$ 2,640,003	\$ 2,537,480	\$ 2,379,497	\$ 2,318,095	\$ 2,380,779	\$ 2,387,045
865,792	798,829	805,116	857,911	925,177	986,675
795,982	770,761	664,674	690,308	624,249	563,172
176,708	166,189	160,697	159,134	193,362	185,279
220,428	341,471	200,166	273,605	128,768	56,296
608,015	586,557	554,575	537,257	478,798	453,030
431,908	435,931	403,553	410,736	333,633	321,882
366,832	452,454	436,533	393,980	295,955	259,046
351	1,440	1,336	1,326	4,179	5,360
210,000	200,000	190,000	180,000	175,400	165,000
22,810	32,810	42,215	50,945	59,032	67,332
385,725	138,102	405,870	468,535	620,297	240,365
256,218	252,758	237,024	228,195	227,868	230,029
<u>\$ 6,980,772</u>	<u>\$ 6,714,782</u>	<u>\$ 6,481,256</u>	<u>\$ 6,570,027</u>	<u>\$ 6,447,497</u>	<u>\$ 5,920,511</u>

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



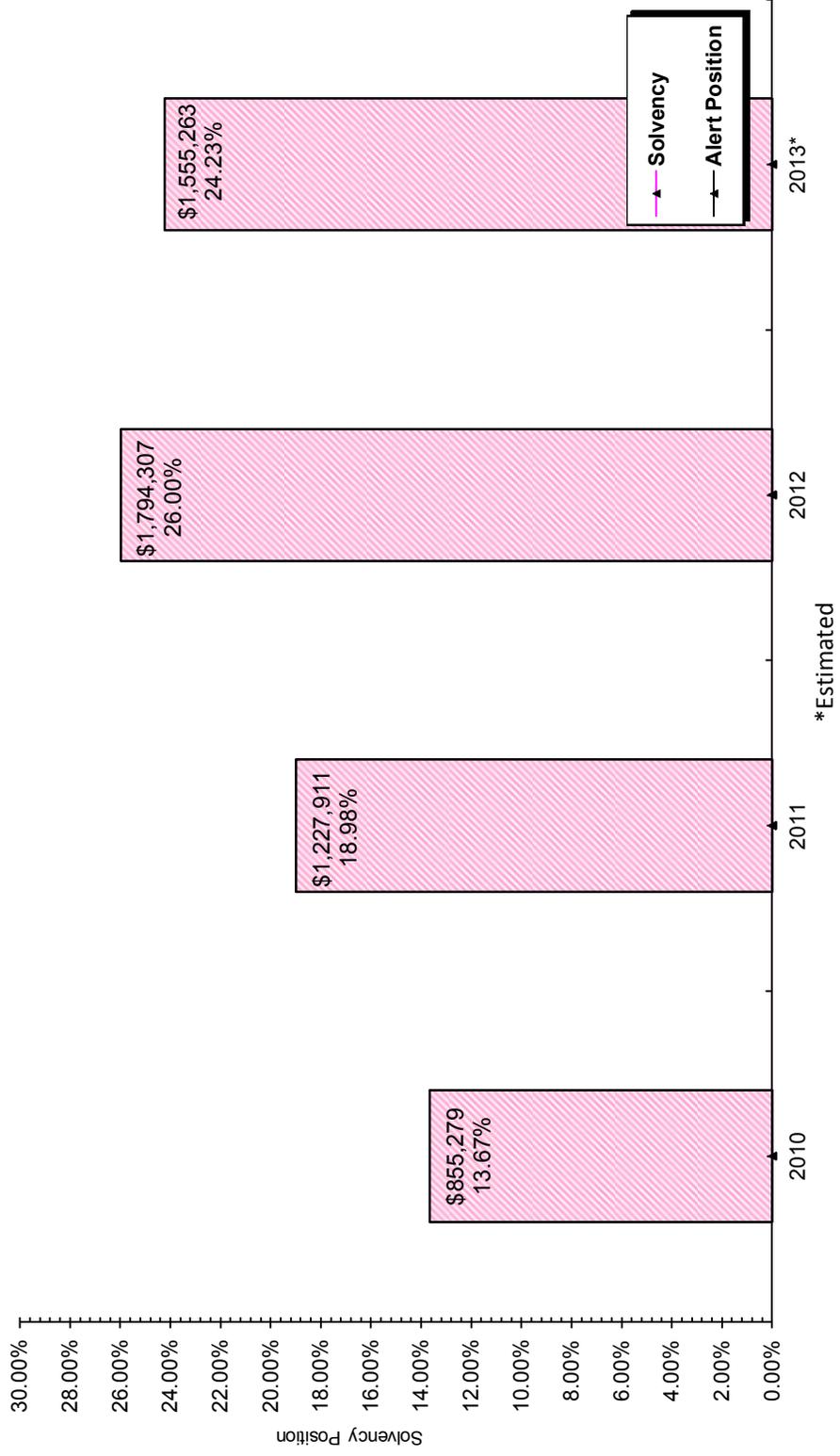
Totals By Year

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



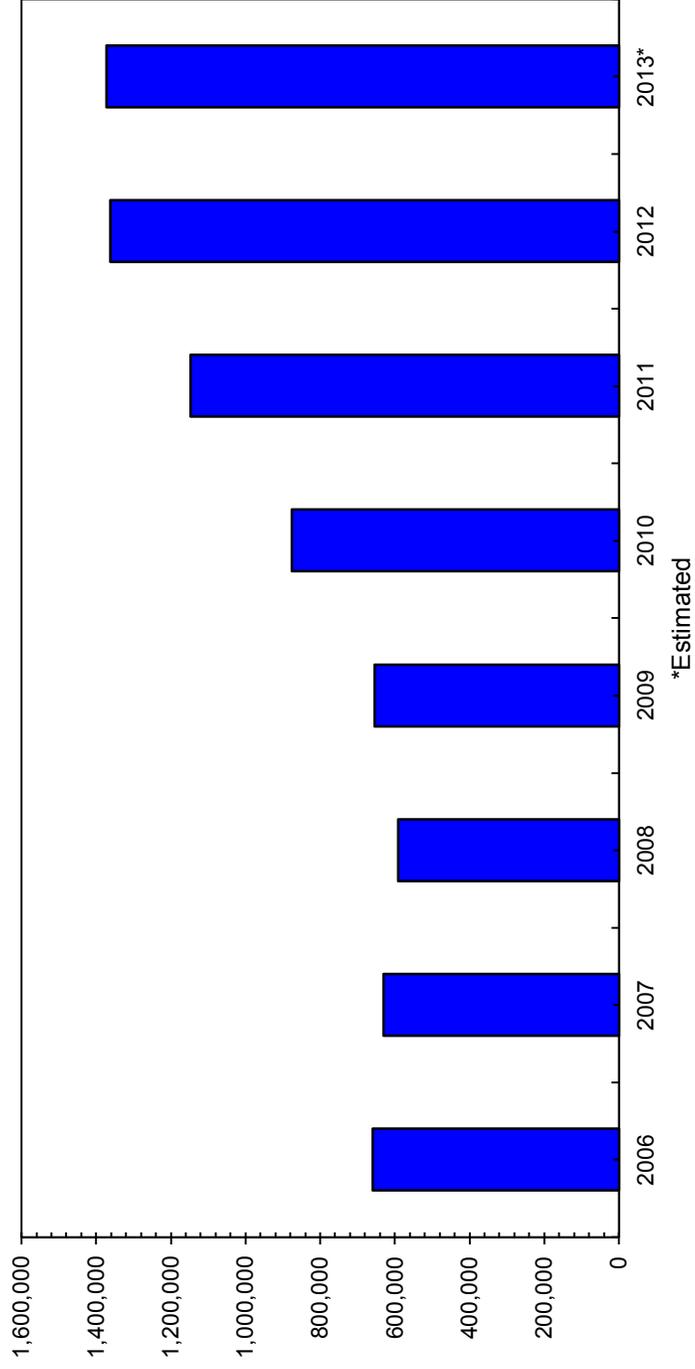
See Independent Auditor's Report.

South Winneshiek Community School District  
General Fund Solvency Ratio

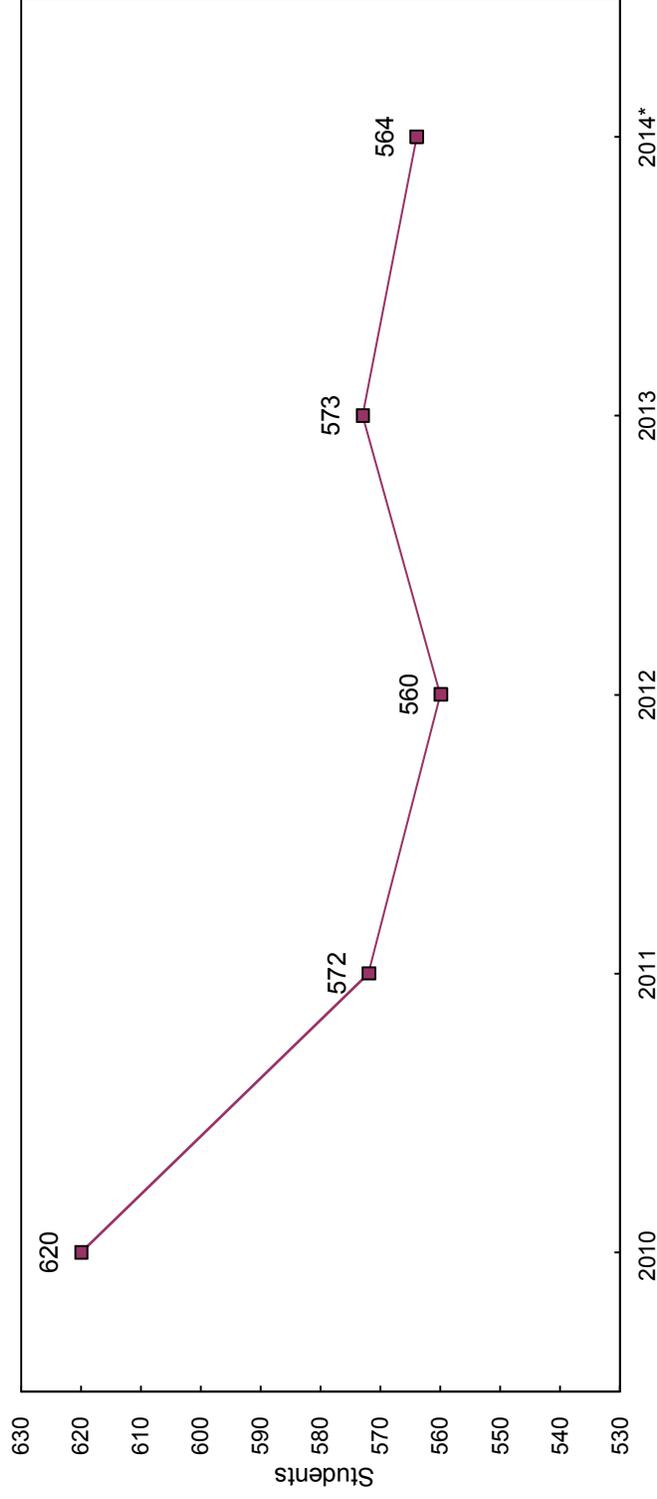


See Independent Auditor's Report.

South Winneshiek Community School District  
Spending Authority



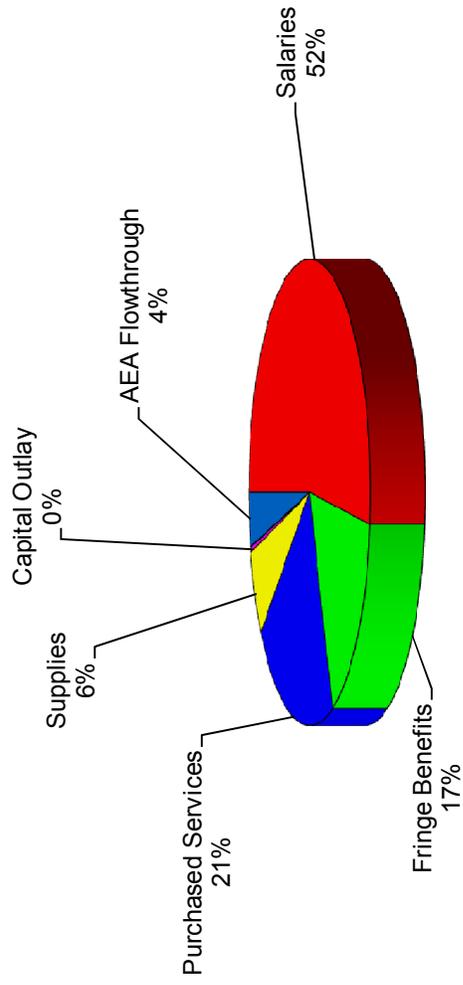
South Winneshiek Community School District  
Student Enrollment Data



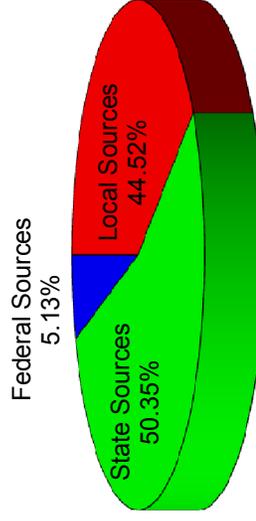
Resource: Total School Enrollment, Not Certified Enrollment, Line 11 of Certified Enrollment Form

\* Estimated, has not been audited

**SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
General Fund Expenditure Analysis Year Ended June 30, 2013**



**SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT**  
General Fund Revenue Analysis Year Ended June 30, 2013



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

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

We have audited, in accordance with the 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 South Winneshiek Community School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise South Winneshiek Community School District's basic financial statements and have issued our report thereon dated December 17, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements we considered South Winneshiek Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are 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 South Winneshiek Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of South Winneshiek Community School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, as described below that we consider to be significant deficiencies.

1. Financial Report Preparation

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

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

Recommendation

Management should continue to receive training and education to fulfill these responsibilities.

Response and Corrective Action Planned

Management is cognizant of this limitation.

Conclusion

Response acknowledged.

2. Overlapping Duties

The District's offices are not large enough to permit an adequate segregation of duties for effective internal controls. The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing grant expenditure reports, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements. An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The Board Secretary has control over each of the following areas for the District: (1) disbursements-check preparation, check signing, distribution and posting, (2) investments-investing, recording and custody and (3) financial reporting-receipt of the bank statements, bank to book reconciliations, preparation and approval of the bank reconciliations and preparation of District financial statements.

Recommendation

While we do recognize that the District is not large enough to permit an automatic segregation of duties for effective internal controls, we believe it is important the Board be aware that this condition does exist. At a minimum the duties within each function listed above should be segregated among District Office personnel. In addition, procedures should be implemented to ensure the proper approval of transactions has been granted by the Superintendent and/or Board. Independent personnel within the District should review financial records, reconciliations and supporting documentation for accounting records whenever possible.

In addition, bank statements should be delivered to and reviewed by an official not responsible for disbursing District funds. Since signatures are applied by a designee proper authorization and oversight procedures need to be established.

Response and Corrective Action Planned

Management is cognizant of this limitation and will implement additional procedures whenever possible.

Conclusion

Response acknowledged.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Winneshiek Community School District's financial statements are free from 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*.

South Winneshiek Community School District's Response to Findings

South Winneshiek Community School District's responses to the findings identified in our audit are described above. South 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Decorah, Iowa  
December 17, 2013

## MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of South Winneshiek Community School District for the year ended June 30, 2013, we considered the District's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the District's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 12 below are compliance comments required by the Iowa Auditor of State. A separate report dated December 17, 2013 contains our report on the District's internal control over financial reporting. This letter does not affect our report dated December 17, 2013, on the financial statements of the South Winneshiek Community School District. Comment number 13 is a repeat comment from the prior year. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the District's responses and, accordingly, we express no opinion on them.

1. Certified Budget

Expenditures for the year ended June 30, 2013 exceeded the certified budget amount in the other functions and non-instructional.

Recommendation

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

Response and Corrective Action Planned

Expenditures will be watched during the year and budget amendments will be made prior to exceeding the budget.

Conclusion

Response accepted.

2. Questionable Expenditures

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

3. Travel Expense

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

4. Business Transactions

We noted no business transactions between the District and District officials and/or employees for the year ended June 30, 2013.

5. Bond Coverage  
Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes  
We noted no transactions requiring Board approval, which had not been, approved by the Board. We also noted no minutes and bills that had not been published as required.
7. Certified Enrollment  
No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting  
No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments  
No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
10. Certified Annual Report  
The Certified Annual Report (CAR) was certified to the Iowa Department of Education timely.
11. Categorical Funding  
No instances were noted of categorical funding being used to supplant rather than supplement other funds. The School District only expended funds per Iowa Code 2560.2 for kindergarten through third grade to achieve higher level of student success in basic skills, especially reading.
12. Statewide Sales, Services and Use Tax  
No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	344,658
Statewide sales, services and use tax			566,638
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$	734,601	
Debt service for school infrastructure:			
General obligation debt		64,606	799,207
Ending balance		\$	<u>112,089</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.

13. Student Activity Funds Deficit

As of June 30, 2013 one individual student activity account had a negative account balance.

In accordance with IAR 281-98.70, upon dissolution of a student activity, such as a graduating class, the surplus must be used to support other student activities in the Student Activity Fund. The District has not closed out student activity accounts for graduated classes (class of 2013).

Recommendation

We recommend a plan be established to eliminate this deficit account.

Response and Corrective Action Planned

We will begin doing this prior to the end of the fiscal year.

Conclusion

Response accepted.

14. Disbursements

During our audit, we noted various items not in compliance with District procedures.

- One of the twenty-five disbursements did not show proper approval to pay, but appeared to be appropriate District expenditure.
- One of the twenty-five disbursements did not clearly detail the amount to be paid. Subsequent work showed it to be an appropriate District expenditure.

Recommendation

We recommend the appropriate or designated person(s) review and authorize all invoices and supporting documents. Also all invoices should be marked paid or canceled and account number indicated at the time the checks are disbursed as per policy and if there is a difference from the invoice amount it should have an explanation and approval by the Board.

Response and Corrective Action Planned

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

Conclusion

Response accepted.

15. Disbursements Paid Twice

During our audit, we noted one invoice had been paid twice. The first amount was paid with a proposal that was received and then was paid again when the actual invoice was received. A subsequent credit was issued to account for this.

Recommendation

We recommend that checks are written only for invoices received and not proposals.

Response and Corrective Action Planned

Only invoices will be used to make payments.

Conclusion

Response accepted.

16. Payroll

During our audit, we noted various items in regards to payroll. One of the fifteen payroll disbursements we tested did not have a W-4 form filled out. It was difficult with the new accounting system to determine which reports were accurate since part of the year was still in the old system and part from the new system. This made it challenging in comparing the 941 reports and the published salaries. We were not able to reconcile 941 wages to published wages.

Recommendation

We recommend that a W-4 form is on file for all current employees and that the appropriate reports are used and retained for payroll from the new system.

Response and Correction Action Planned

We will make sure that every employee has a W-4 form filled out and in personnel file. Also, with the whole year being in the new system, we should be able to have accurate reports to use for payroll information.

Conclusion

Response accepted.

17. Outstanding Checks

The District's bank reconciliation for the student activity account included outstanding checks over three years old.

Recommendation

We recommend that the District review the checks to see if they have been cashed and if not turn the checks over to the State Treasurer's office.

Response and Corrective Action Planned

We will review the outstanding checks and turn over to state agency, if appropriate.

Conclusion

Response accepted.

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

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

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

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

Decorah, Iowa  
December 17, 2013