

**HOWARD-WINNESHIEK
COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

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Introductory Section

Board of Education and School District Officials

As of June 30, 2014

Name	Title	Term Expires
Board of Education		
(Before September, 2013 Election)		
Duane Bodermann	President	September, 2013
Scott Fortune	Vice President	September, 2015
Douglas Berg	Member	September, 2015
James Kitchen	Member	September, 2015
Karlos McClure	Member	September, 2013
(After September, 2013 Election)		
Scott Fortune	President	September, 2015
Duane Bodermann	Vice President	September, 2017
Douglas Berg	Member	September, 2015
James Kitchen	Member	September, 2015
Karlos McClure	Member	September, 2017
School Officials		
John Carver	Superintendent	Indefinite
Clint Farlinger	Business Manager and District Secretary/Treasurer	Indefinite
Elwood, O'Donohoe, Braun and White, LLP	Attorney	Indefinite

Financial Section

Independent Auditor's Report

Board of Education
Howard-Winneshiek Community School District
Cresco, 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 Howard-Winneshiek Community School District, Cresco, Iowa, as of and for the year ended June 30, 2014, 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 accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Howard-Winneshiek Community School District as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 4 through 13 and 40 and 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Howard-Winneshiek Community School District's basic financial statements. The financial statements for the nine years ended June 30, 2013 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unmodified opinions on those financial statements. The supplementary information on pages 42 through 50, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 6, 2015 on our consideration of Howard-Winneshiek Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Howard-Winneshiek Community School District's internal control over financial reporting and compliance.

HOGAN - HANSEN

HOGAN - HANSEN

Waterloo, Iowa
January 6, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Howard-Winneshiek Community School District provides this management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- General Fund revenue increased from \$14,434,515 in fiscal year 2013 to \$14,838,813 in fiscal year 2014, while General Fund expenditures increased from \$13,341,278 in fiscal year 2013 to \$14,349,184 in fiscal year 2014. The District's General Fund balance increased from \$3,107,557 at the end of fiscal year 2013 to \$3,603,265 at the end of fiscal year 2014, a 16.0% increase.
- The fiscal year 2014 increase in General Fund revenue was primarily attributable to increased Microsoft Settlement funding and rent income received in fiscal year 2014.
- The increase in expenditures was due primarily to increased salaries and benefits and staff training costs and additional building maintenance supplies, computers and furniture and fixtures purchased in fiscal year 2014. The increased purchase of maintenance supplies, furniture and fixtures will continue in fiscal year 2015, but are expected to return to normal levels beginning in fiscal year 2016. These purchases are a result of needed updates.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The government-wide financial statements consist of a statement of net position and a statement of activities. These provide information about the activities of Howard-Winneshiek Community School District as a whole and present an overall view of the District's 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 Howard-Winneshiek Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide financial information about activities for which Howard-Winneshiek Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to the 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, as well as presenting the schedule of funding progress for the retiree health plan.

Supplementary information provides detailed information about the nonmajor governmental funds. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

FIGURE A-1
HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT

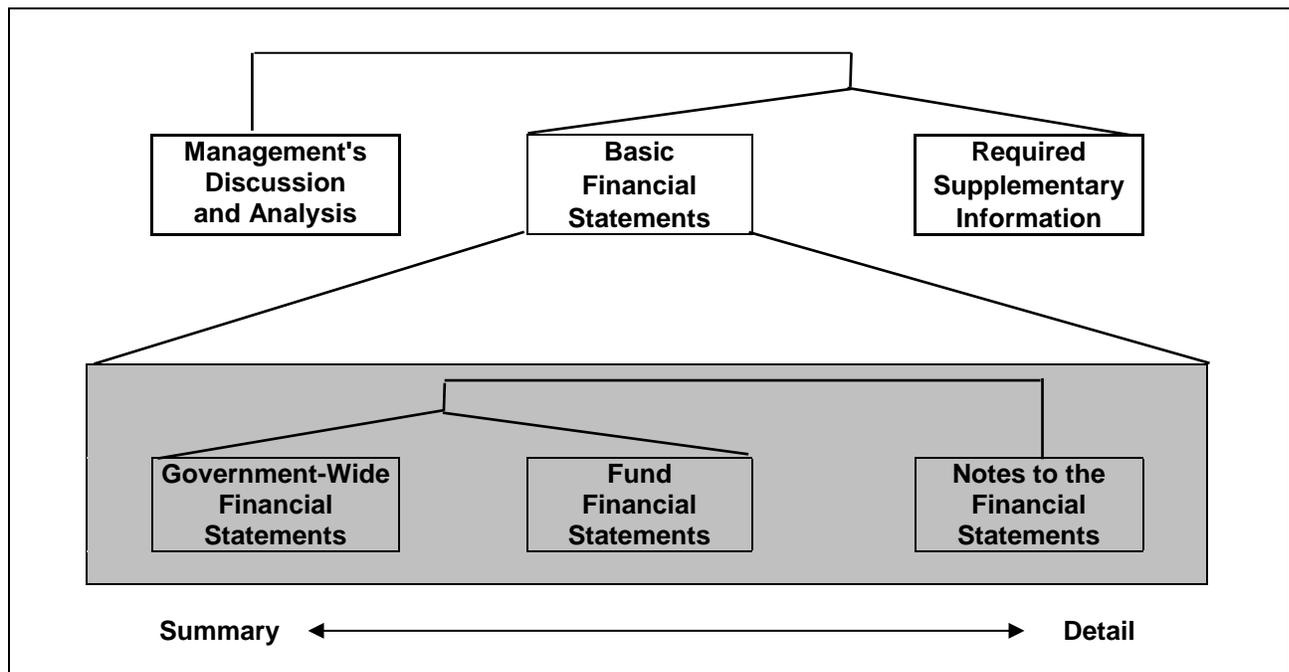


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Fund
Scope	Entire District (except fiduciary fund)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and internal services	Instances in which the District administers resources on behalf of someone else, such as donations and other miscellaneous funding
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statements of revenue, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; fund does not currently contain capital assets, although it can
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-Wide Financial Statements

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

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business-type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for various student activity funds or to show it is properly using certain revenue, such as federal grants.

The District has three kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

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

- *Proprietary Funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District's enterprise fund is the School Nutrition Fund. Internal service funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District's Internal Service Fund is used to account for flexible benefits.

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

- *Fiduciary Fund:* The District serves as the trustee, or fiduciary, for assets that belong to others. The District's fiduciary fund includes the following:
 - Agency Fund - This is a fund through which the District administers and accounts for certain revenue as a fiscal agent.

The District is responsible for ensuring the assets reported in the fiduciary fund are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statement for the fiduciary fund includes a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position as of June 30, 2014 compared to June 30, 2013.

FIGURE A-3
CONDENSED STATEMENT OF NET POSITION

	Governmental Activities June 30,		Business- Type Activities June 30,		Total District June 30,		Total Percentage Change June 30, 2013-2014
	2014	2013 (As Restated - Note 15)	2014	2013	2014	2013	
Current and other assets	\$ 15,739,467	\$ 15,842,663	\$ 420,174	\$ 348,880	\$ 16,159,641	\$ 16,191,543	(0.2)%
Capital assets	12,315,253	12,347,861	104,132	110,625	12,419,385	12,458,486	(0.3)
Total Assets	28,054,720	28,190,524	524,306	459,505	28,579,026	28,650,029	(0.2)
Long-term liabilities	4,072,522	4,178,657	—	—	4,072,522	4,178,657	(2.5)
Other liabilities	1,561,722	1,733,585	63,016	58,607	1,624,738	1,792,192	(9.3)
Total Liabilities	5,634,244	5,912,242	63,016	58,607	5,697,260	5,970,849	(4.6)
Deferred Inflows of Resources	5,821,023	6,223,964	—	—	5,821,023	6,223,964	(6.5)
Net Position							
Net investment in capital assets	10,353,253	9,747,861	104,132	110,625	10,457,385	9,858,486	6.1
Restricted	3,685,164	3,442,931	—	—	3,685,164	3,442,931	7.0
Unrestricted	2,561,036	2,863,526	357,158	290,273	2,918,194	3,153,799	(7.5)
Total Net Position	\$ 16,599,453	\$ 16,054,318	\$ 461,290	\$ 400,898	\$ 17,060,743	\$ 16,455,216	3.7 %

The District's total net position increased 3.7%, or approximately \$606,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$242,000, or 7.0%, over the prior year. The increase was primarily a result of an increase in restricted funds held for school infrastructure.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased by approximately \$236,000, or 7.5%. This decrease in unrestricted net position was primarily a result of recording the liability related to the 2014 early retirement plan. Liabilities from the early retirement plans exceeded the fund balance restricted for management levy purposes.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

**FIGURE A-4
CHANGES IN NET POSITION**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Total Percentage Change 2013-2014</u>
	<u>2014</u>	<u>2013</u> (As Restated - Note 15)	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
Revenue							
Program Revenue							
Charges for service	\$ 1,029,430	\$ 954,846	\$ 372,036	\$ 367,826	\$ 1,401,466	\$ 1,322,672	6.0 %
Operating grants and contributions	2,831,578	2,049,966	497,798	476,520	3,329,376	2,526,486	31.8
Capital grants and contributions	31,503	841,732	—	—	31,503	841,732	(96.3)
General Revenue							
Property tax	6,241,740	6,183,410	—	—	6,241,740	6,183,410	0.9
Income surtax	1,013,949	844,303	—	—	1,013,949	844,303	20.1
Statewide sales, services and use tax	1,128,655	1,125,539	—	—	1,128,655	1,125,539	0.3
Unrestricted state grants	5,380,785	5,843,804	—	—	5,380,785	5,843,804	(7.9)
Unrestricted invest- ment earnings	9,776	7,917	26	23	9,802	7,940	23.5
Gain on sale of capital assets	15,450	—	—	—	15,450	—	100.0
Other	—	108,291	—	—	—	108,291	(100.0)
Total Revenue	<u>17,682,866</u>	<u>17,959,808</u>	<u>869,860</u>	<u>844,369</u>	<u>18,552,726</u>	<u>18,804,177</u>	<u>(1.3)</u>
Program Expenses							
Instruction	10,441,122	10,207,013	—	—	10,441,122	10,207,013	2.3
Support services	5,541,923	4,547,880	—	—	5,541,923	4,547,880	21.9
Noninstructional programs	6,869	12,462	803,389	841,523	810,258	853,985	(5.1)
Other expenses	1,153,896	1,350,872	—	—	1,153,896	1,350,872	(14.6)
Total Program Expenses	<u>17,143,810</u>	<u>16,118,227</u>	<u>803,389</u>	<u>841,523</u>	<u>17,947,199</u>	<u>16,959,750</u>	<u>5.8</u>
Excess Before Transfers	<u>539,056</u>	<u>1,841,581</u>	<u>66,471</u>	<u>2,846</u>	<u>605,527</u>	<u>1,844,427</u>	<u>(67.2)</u>
Transfers	6,079	—	(6,079)	—	—	—	0.0
Change in Net Position	<u>545,135</u>	<u>1,841,581</u>	<u>60,392</u>	<u>2,846</u>	<u>605,527</u>	<u>1,844,427</u>	<u>(67.2)</u>
Net Position - Beginning of Year	<u>16,054,318</u>	<u>14,212,737</u>	<u>400,898</u>	<u>398,052</u>	<u>16,455,216</u>	<u>14,610,789</u>	<u>12.6</u>
Net Position - End of Year	<u>\$ 16,599,453</u>	<u>\$ 16,054,318</u>	<u>\$ 461,290</u>	<u>\$ 400,898</u>	<u>\$ 17,060,743</u>	<u>\$ 16,455,216</u>	<u>3.7 %</u>

In fiscal year 2014, property tax and unrestricted state grants accounted for 65.7% of governmental activities revenue while charges for service and operating grants and contributions accounted for almost 100% of business-type activities revenue. The District's total revenue was approximately \$18.6 million of which approximately \$17.7 million was for governmental activities and \$0.9 million was for business-type activities.

As shown on Figure A-4, the District as a whole experienced a 1.3% decrease in revenue and a 5.8% increase in expenses. The decrease in revenue was primarily due to less unrestricted state grants received. The increase in expenses was primarily due to increased salaries and benefits and building maintenance supplies costs and recording the liability related to the 2014 early retirement plan.

Governmental Activities

Revenue for governmental activities was \$17,682,866 and expenses were \$17,143,810 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, noninstructional programs and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

**FIGURE A-5
TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES**

	<u>Total Cost of Services</u>		Percentage Change 2013-2014	<u>Net Cost of Services</u>		Percentage Change 2013-2014
	2014	2013		2014	2013 (As Restated - Note 15)	
Instruction	\$ 10,441,122	\$ 10,207,013	2.3%	\$ 7,424,828	\$ 7,895,069	(6.0)%
Support services	5,541,923	4,547,880	21.9	5,239,817	4,401,852	19.0
Noninstructional programs	6,869	12,462	(44.9)	6,869	12,462	(44.9)
Other	1,153,896	1,350,872	(14.6)	579,785	(37,700)	1,637.9
Total	<u>\$ 17,143,810</u>	<u>\$ 16,118,227</u>	<u>6.4%</u>	<u>\$ 13,251,299</u>	<u>\$ 12,271,683</u>	<u>8.0 %</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,029,430.
- Federal and state governments and local entities subsidized certain programs with grants and contributions totaling \$2,831,578.
- The net cost of governmental activities was financed with \$8,384,344 in property and other taxes and \$5,380,785 in unrestricted state grants.

Business-Type Activities

Revenue for business-type activities during the year ended June 30, 2014 was \$869,860, representing a 3.0% increase over the prior year, while expenses totaled \$803,389, a 4.5% decrease from the prior year. The District's business-type activities include the School Nutrition Fund. Revenue from these activities was comprised of charges for service, federal and state reimbursements and investment income.

The increase in revenue was primarily the result of increased federal meal reimbursements received. The decrease in expenses was primarily the result of decreased food costs.

INDIVIDUAL FUND ANALYSIS

As previously noted, Howard-Winneshiek Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$7,593,782, an increase over last year's ending fund balances of \$7,250,000. The primary reason for the increase in combined fund balances in fiscal year 2014 is due to a decrease in expenditures related to facility acquisition and construction and instruction.

Governmental Fund Highlights

- The General Fund balance increased from \$3,107,557 as of the end of fiscal year 2013 to \$3,603,265 as of the end of fiscal year 2014 due, in part, to increased Microsoft Settlement funding and rent income received in the current year.
- The Capital Projects Fund balance increased from \$2,557,713 as of the end of fiscal year 2013 to \$2,755,709 as of the end of fiscal year 2014. This increase was primarily due to decreased facilities acquisition and construction expenditures. The District is in the process of building a reserve in this Fund to help fund anticipated future building updates.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$400,898 as of June 30, 2013 to \$461,290 as of June 30, 2014, representing an increase of 15.1%. The increase is primarily due to increased federal meal reimbursements received and decreased food costs.

The Flexible Benefits Fund net position decreased from \$2,025 as of June 30, 2013 to \$644 as of June 30, 2014.

BUDGETARY HIGHLIGHTS

Howard-Winneshiek Community School District did not amend its budget during the year.

The District's total revenue was \$41,718 more than total budgeted revenue.

Total expenditures were \$1,993,524 less than budgeted, due primarily to overbudgeting General Fund instruction and capital projects expenditures. The District's practice is to budget expenditures conservatively.

Expenditures did not exceed the amounts budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, the District had invested \$12,419,385, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 0.3% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$708,461.

The original cost of the District's capital assets was \$23,101,958. Governmental funds account for \$22,671,734 with the remainder of \$430,224 accounted for in the Proprietary, School Nutrition Fund.

**FIGURE A-6
CAPITAL ASSETS, NET OF DEPRECIATION**

	Governmental Activities June 30,		Business- Type Activities June 30,		Total District June 30,		Total Percentage Change June 30, 2013-2014
	2014	2013	2014	2013	2014	2013	
Land	\$ 720,404	\$ 720,404	\$ —	\$ —	\$ 720,404	\$ 720,404	0.0 %
Buildings	10,202,383	10,295,784	—	—	10,202,383	10,295,784	(0.9)
Improvements other than buildings	450,244	465,953	—	—	450,244	465,953	(3.4)
Furniture and equipment	942,222	865,720	104,132	110,625	1,046,354	976,345	7.2
Total	\$ 12,315,253	\$ 12,347,861	\$ 104,132	\$ 110,625	\$ 12,419,385	\$ 12,458,486	(0.3)%

Long-Term Debt

As of June 30, 2014, the District had \$2,671,523 of long-term debt outstanding. This represents a decrease of 19.8% from last year. (See Figure A-7.) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding debt subject to this limit is significantly below its constitutional debt limit of approximately \$39 million.

In November, 2009, the District issued \$2,180,000 of statewide sales, services and use tax revenue bonds to finance various facilities acquisition and construction projects.

The District also had outstanding liabilities under a capital lease of \$491,523 for the purchase of computers and computer equipment. The lease is payable from the Capital Projects, Statewide Sales, Services and Use Tax Fund.

**Figure A-7
Outstanding Long-Term Obligations**

	Total District June 30,		Total Percentage Change June 30, 2013-14
	2014	2013	
Revenue bonds	\$ 2,180,000	\$ 2,600,000	(16.2)%
Capital lease	491,523	729,378	(32.6)
	\$ 2,671,523	\$ 3,329,378	(19.8)%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- **Challenge:** declining enrollment **Background:** 60% of the school districts in Iowa are facing flat or declining enrollment with a disproportionately large number of these districts in rural communities. The District's certified enrollment declined by 53 (4%) on the count in October, 2014 compared to October, 2013. **Action:** The District encourages innovation in the classroom and has seen student academic achievement rise. In the long run these positive changes in the classroom may help reverse the downward enrollment trends. Additionally, the District is actively involved with community partners, including Howard County Economic Development, to find ways to attract families to the District. Local communities have numerous job openings but a shortage of affordable housing has prevented these openings from being filled.
- **Challenge:** financial impact of declining enrollment **Background:** the District has historically operated autonomous elementary schools in four communities. One of these elementary schools was closed in 2010. **Action:** The District will discontinue operations at another of the elementary schools at the end of the 2014-15 school year and is deliberating the closure of a third, consolidating all elementary operations into one facility. The expected ongoing savings of consolidating all elementary operations into a single facility is in excess of \$275,000 annually, with the savings being realized beginning in fiscal year 2016.
- **Challenge:** delay of State Legislature setting school funding levels (commonly referred to as Allowable Growth) **Background:** funding for fiscal year 2014 was set by the Legislature after Iowa districts' deadline for filing annual budgets **Action:** the District created the fiscal year 2014 budget using conservative figures. This situation is again developing for the fiscal year 2016 budget process.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Clint Farlinger, Business Manager and District Secretary/Treasurer, Howard-Winneshiek Community School District, 1000 Schroder Drive, Cresco, IA 52136.

Basic Financial Statements

Statement of Net Position

As of June 30, 2014

	Governmental Activities	Business- Type Activities	Total
Assets			
Cash, cash equivalents and investments.....	\$ 8,416,143	\$ 357,156	\$ 8,773,299
Receivables			
Property Tax, Net of Allowance			
Current year delinquent.....	89,644	—	89,644
Succeeding year	5,821,023	—	5,821,023
Accrued interest	4,033	—	4,033
Other.....	81,233	2,501	83,734
Internal balances	(2,932)	2,932	—
Due from other governments	1,330,323	32,716	1,363,039
Inventories.....	—	24,869	24,869
Capital assets, net of accumulated depreciation	<u>12,315,253</u>	<u>104,132</u>	<u>12,419,385</u>
Total Assets	<u>\$ 28,054,720</u>	<u>\$ 524,306</u>	<u>\$ 28,579,026</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Accounts payable	\$ 124,152	\$ 3,960	\$ 128,112
Salaries and benefits payable.....	1,239,301	52,998	1,292,299
Due to other governments	155,170	—	155,170
Accrued interest payable	43,099	—	43,099
Unearned revenue.....	—	6,058	6,058
Long-Term Liabilities			
Portion Due Within One Year			
Capital lease	243,088	—	243,088
Early retirement.....	531,644	—	531,644
Portion Due After One Year			
Revenue bonds	2,180,000	—	2,180,000
Capital lease	248,435	—	248,435
Early retirement.....	507,355	—	507,355
Net OPEB liability	<u>362,000</u>	<u>—</u>	<u>362,000</u>
Total Liabilities	<u>5,634,244</u>	<u>63,016</u>	<u>5,697,260</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	<u>5,821,023</u>	<u>—</u>	<u>5,821,023</u>
Net Position			
Net investment in capital assets	10,353,253	104,132	10,457,385
Restricted for			
Categorical funding	458,768	—	458,768
School infrastructure	2,135,430	—	2,135,430
Debt service	1,045	—	1,045
Physical plant and equipment	715,106	—	715,106
Student activities.....	354,815	—	354,815
Entrepreneurial education activity	20,000	—	20,000
Unrestricted.....	<u>2,561,036</u>	<u>357,158</u>	<u>2,918,194</u>
Total Net Position	<u>16,599,453</u>	<u>461,290</u>	<u>17,060,743</u>
Total Liabilities, Deferred Inflows of Resources and Net Position.....	<u>\$ 28,054,720</u>	<u>\$ 524,306</u>	<u>\$ 28,579,026</u>

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue			Net (Expenses), Revenue and Changes in Net Position		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 6,886,193	\$ 375,378	\$ 2,023,109	\$ —	\$ (4,487,706)	\$ —	\$ (4,487,706)
Special	1,759,201	153,103	68,881	—	(1,537,217)	—	(1,537,217)
Other	<u>1,795,728</u>	<u>329,302</u>	<u>47,993</u>	<u>18,528</u>	<u>(1,399,905)</u>	<u>—</u>	<u>(1,399,905)</u>
Total Instruction	<u>10,441,122</u>	<u>857,783</u>	<u>2,139,983</u>	<u>18,528</u>	<u>(7,424,828)</u>	<u>—</u>	<u>(7,424,828)</u>
Support Services							
Student	372,366	—	—	—	(372,366)	—	(372,366)
Instructional staff	529,881	—	23,194	—	(506,687)	—	(506,687)
Administration	1,465,243	—	—	—	(1,465,243)	—	(1,465,243)
Operation and maintenance of plant	2,017,374	160,460	—	—	(1,856,914)	—	(1,856,914)
Transportation	<u>1,157,059</u>	<u>11,187</u>	<u>107,265</u>	<u>—</u>	<u>(1,038,607)</u>	<u>—</u>	<u>(1,038,607)</u>
Total Support Services	<u>5,541,923</u>	<u>171,647</u>	<u>130,459</u>	<u>—</u>	<u>(5,239,817)</u>	<u>—</u>	<u>(5,239,817)</u>
Noninstructional programs	<u>6,869</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(6,869)</u>	<u>—</u>	<u>(6,869)</u>
Other Expenses							
Facilities acquisition	12,975	—	—	12,975	—	—	—
Long-term debt interest and fiscal charges	113,383	—	—	—	(113,383)	—	(113,383)
AEA flowthrough	561,136	—	561,136	—	—	—	—
Depreciation (unallocated)*	<u>466,402</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(466,402)</u>	<u>—</u>	<u>(466,402)</u>
Total Other Expenses	<u>1,153,896</u>	<u>—</u>	<u>561,136</u>	<u>12,975</u>	<u>(579,785)</u>	<u>—</u>	<u>(579,785)</u>
Total Governmental Activities	<u>17,143,810</u>	<u>1,029,430</u>	<u>2,831,578</u>	<u>31,503</u>	<u>(13,251,299)</u>	<u>—</u>	<u>(13,251,299)</u>
Business-Type Activities							
Noninstructional Programs							
Food service operations	<u>803,389</u>	<u>372,036</u>	<u>497,798</u>	<u>—</u>	<u>—</u>	<u>66,445</u>	<u>66,445</u>
Total	<u>\$ 17,947,199</u>	<u>\$ 1,401,466</u>	<u>\$ 3,329,376</u>	<u>\$ 31,503</u>	<u>(13,251,299)</u>	<u>66,445</u>	<u>(13,184,854)</u>
General Revenue (Expense)							
Property Tax Levied for							
General purposes					5,379,319	—	5,379,319
Management levy					661,564	—	661,564
Capital outlay					200,857	—	200,857
Income surtax					1,013,949	—	1,013,949
Statewide sales, services and use tax					1,128,655	—	1,128,655
Unrestricted state grants					5,380,785	—	5,380,785
Unrestricted investment earnings					9,776	26	9,802
Gain on sale of capital assets					15,450	—	15,450
Transfers					<u>6,079</u>	<u>(6,079)</u>	<u>—</u>
Total General Revenue (Expense)					<u>13,796,434</u>	<u>(6,053)</u>	<u>13,790,381</u>
Change in Net Position					545,135	60,392	605,527
Net Position - Beginning of Year, as Restated (Note 15)					<u>16,054,318</u>	<u>400,898</u>	<u>16,455,216</u>
Net Position - End of Year					<u>\$ 16,599,453</u>	<u>\$ 461,290</u>	<u>\$ 17,060,743</u>

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

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

As of June 30, 2014

	General	Capital Projects	Nonmajor	Total
Assets				
Cash, cash equivalents and investments.....	\$ 4,630,070	\$ 2,556,815	\$ 1,228,614	\$ 8,415,499
Receivables				
Property Tax, Net of Allowance				
Current year delinquent.....	77,458	2,634	9,552	89,644
Succeeding year.....	4,878,058	342,966	599,999	5,821,023
Accrued interest.....	3,190	—	843	4,033
Other.....	66,398	12,975	1,860	81,233
Due from other funds.....	—	30,431	—	30,431
Due from other governments.....	850,400	479,896	27	1,330,323
Total Assets	\$ 10,505,574	\$ 3,425,717	\$ 1,840,895	\$ 15,772,186
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable.....	\$ 59,495	\$ 58,577	\$ 6,080	\$ 124,152
Salaries and benefits payable.....	1,239,301	—	—	1,239,301
Due to other funds.....	33,363	—	—	33,363
Due to other governments.....	155,162	—	8	155,170
Total Liabilities	1,487,321	58,577	6,088	1,551,986
Deferred Inflows of Resources				
Unavailable Revenue				
Succeeding year property tax.....	4,878,058	342,966	599,999	5,821,023
Income surtax.....	536,930	268,465	—	805,395
Total Deferred Inflows of Resources	5,414,988	611,431	599,999	6,626,418
Fund Balances				
Restricted for				
Categorical funding.....	458,768	—	—	458,768
School infrastructure.....	—	1,821,558	—	1,821,558
Debt service.....	—	219,045	43,099	262,144
Physical plant and equipment.....	—	715,106	—	715,106
Student activities.....	—	—	354,815	354,815
Management levy purposes.....	—	—	816,894	816,894
Entrepreneurial education activity.....	—	—	20,000	20,000
Unassigned.....	3,144,497	—	—	3,144,497
Total Fund Balances	3,603,265	2,755,709	1,234,808	7,593,782
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 10,505,574	\$ 3,425,717	\$ 1,840,895	\$ 15,772,186

See accompanying notes to the financial statements.

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

As of June 30, 2014

Total Fund Balances for Governmental Funds (Page 16)....		\$ 7,593,782
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		644
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.....		12,315,253
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.....		(43,099)
Long-term liabilities, including revenue bonds, a capital lease, early retirement and other post-employment benefits are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		
Revenue bonds.....	\$ (2,180,000)	
Capital lease	(491,523)	
Early retirement.....	(1,038,999)	
Net OPEB liability.....	<u>(362,000)</u>	(4,072,522)
Income surtax receivable is not available to pay current year expenditures and, therefore, is deferred in the governmental funds.....		<u>805,395</u>
 Net Position of Governmental Activities (Page 14)		 <u>\$ 16,599,453</u>

Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2014

	General	Capital Projects	Nonmajor	Total
Revenue				
Local Sources				
Local tax	\$ 5,977,111	\$ 499,753	\$ 661,564	\$ 7,138,428
Tuition	414,707	—	—	414,707
Other	400,775	21,520	399,455	821,750
State sources	7,462,438	1,128,746	304	8,591,488
Federal sources	583,782	—	—	583,782
Total Revenue	<u>14,838,813</u>	<u>1,650,019</u>	<u>1,061,323</u>	<u>17,550,155</u>
Expenditures				
Current				
Instruction				
Regular	6,025,023	—	235,295	6,260,318
Special	1,750,538	—	—	1,750,538
Other	1,397,474	—	391,030	1,788,504
Total Instruction	<u>9,173,035</u>	<u>—</u>	<u>626,325</u>	<u>9,799,360</u>
Support Services				
Student	370,142	—	19,999	390,141
Instructional staff	444,327	84,276	—	528,603
Administration	1,433,500	—	69,243	1,502,743
Operation and maintenance of plant	1,436,978	115,279	195,880	1,748,137
Transportation	930,066	188,017	47,393	1,165,476
Total Support Services	<u>4,615,013</u>	<u>387,572</u>	<u>332,515</u>	<u>5,335,100</u>
Noninstructional programs	—	—	19,246	19,246
Other Expenditures				
Facilities acquisition	—	731,901	—	731,901
Long-Term Debt				
Principal	—	—	657,855	657,855
Interest and fiscal charges	—	—	123,304	123,304
AEA flowthrough	561,136	—	—	561,136
Total Other Expenditures	<u>561,136</u>	<u>731,901</u>	<u>781,159</u>	<u>2,074,196</u>
Total Expenditures	<u>14,349,184</u>	<u>1,119,473</u>	<u>1,759,245</u>	<u>17,227,902</u>
Revenue Over (Under) Expenditures	<u>489,629</u>	<u>530,546</u>	<u>(697,922)</u>	<u>322,253</u>
Other Financing Sources (Uses)				
Proceeds from the sale of capital assets				
Operating transfers in	6,079	—	368,000	374,079
Operating transfers out	—	(348,000)	(20,000)	(368,000)
Total Other Financing Sources (Uses)	<u>6,079</u>	<u>(332,550)</u>	<u>348,000</u>	<u>21,529</u>
Change in Fund Balances	<u>495,708</u>	<u>197,996</u>	<u>(349,922)</u>	<u>343,782</u>
Fund Balances - Beginning of Year, as Restated (Note 15)	<u>3,107,557</u>	<u>2,557,713</u>	<u>1,584,730</u>	<u>7,250,000</u>
Fund Balances - End of Year	<u>\$ 3,603,265</u>	<u>\$ 2,755,709</u>	<u>\$ 1,234,808</u>	<u>\$ 7,593,782</u>

See accompanying notes to the financial statements.

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities —————

Year Ended June 30, 2014

Change in Fund Balances - Total Governmental Funds (Page 18) \$ 343,782

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

An internal service fund is used by management to charge the costs of health insurance to individual funds. The change in net position in the internal service fund is reported with governmental activities in the statement of activities. 644

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

Capital outlays.....	\$ 659,707	
Depreciation expense.....	<u>(692,315)</u>	(32,608)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the statement of activities, interest expense is recognized as interest accrues, regardless of when it is due. 9,921

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position..... 657,855

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

Early retirement.....	\$ (483,720)	
Net OPEB liability.....	<u>(68,000)</u>	(551,720)

Income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds..... 117,261

Change in Net Position of Governmental Activities (Page 15) \$ 545,135

Statement of Net Position - Proprietary Funds

As of June 30, 2014

	<u>Nonmajor Enterprise School Nutrition</u>	<u>Internal Service Flexible Benefits</u>
Assets		
Current Assets		
Cash, cash equivalents and investments.....	\$ 357,156	\$ 644
Receivables		
Other.....	2,501	—
Due from other funds.....	2,932	—
Due from other governments.....	32,716	—
Inventories.....	24,869	—
Total Current Assets	<u>420,174</u>	<u>644</u>
Capital assets, net of accumulated depreciation	<u>104,132</u>	<u>—</u>
Total Assets	<u>\$ 524,306</u>	<u>\$ 644</u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable.....	\$ 3,960	\$ —
Salaries and benefits payable.....	52,998	—
Unearned revenue.....	6,058	—
Total Current Liabilities	<u>63,016</u>	<u>—</u>
Net Position		
Net investment in capital assets.....	104,132	—
Unrestricted.....	357,158	644
Total Net Position	<u>461,290</u>	<u>644</u>
Total Liabilities and Net Position	<u>\$ 524,306</u>	<u>\$ 644</u>

See accompanying notes to the financial statements.

Statement of Revenue, Expenses and Changes in Net Position - Proprietary Funds

Year Ended June 30, 2014

	<u>Nonmajor Enterprise School Nutrition</u>	<u>Internal Service Flexible Benefits</u>
Operating Revenue		
Local Sources		
Charges for service	\$ 309,932	\$ —
Other receipts	62,104	—
Flexible benefits contributions	<u>—</u>	<u>29,840</u>
Total Operating Revenue	<u>372,036</u>	<u>29,840</u>
Operating Expenses		
Noninstructional Programs		
Food Service Operations		
Salaries	239,682	—
Benefits	52,944	—
Purchased services	3,741	—
Supplies	486,686	—
Other	4,190	—
Depreciation	16,146	—
Flexible benefits claims and fees	<u>—</u>	<u>31,221</u>
Total Operating Expenses	<u>803,389</u>	<u>31,221</u>
Loss From Operations	<u>(431,353)</u>	<u>(1,381)</u>
Nonoperating Revenue		
State sources	6,145	—
Federal sources	491,653	—
Interest on investments	<u>26</u>	<u>—</u>
Total Nonoperating Revenue	<u>497,824</u>	<u>—</u>
Income (Loss) Before Transfers	66,471	(1,381)
Transfers out	<u>(6,079)</u>	<u>—</u>
Change in Net Position	60,392	(1,381)
Net Position - Beginning of Year	<u>400,898</u>	<u>2,025</u>
Net Position - End of Year	<u>\$ 461,290</u>	<u>\$ 644</u>

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2014

	<u>Nonmajor Enterprise School Nutrition</u>	<u>Internal Service Flexible Benefits</u>
Cash Flows From Operating Activities		
Cash received from sale of lunches and breakfasts.....	\$ 311,087	\$ —
Cash received from other receipts	62,104	—
Cash received from assessments made to other funds	—	29,840
Cash payments to employees for services	(283,895)	—
Cash payments to suppliers for goods or services.....	(441,879)	—
Cash paid for flexible benefits claims and fees	—	(31,221)
Net Cash Used in Operating Activities.....	<u>(352,583)</u>	<u>(1,381)</u>
Cash Flows From Noncapital Financing Activities		
State grants received.....	6,145	—
Federal grants received.....	419,317	—
Transfers out	(6,079)	—
Loans to other funds.....	(2,932)	—
Net Cash Provided by Noncapital Financing Activities	<u>416,451</u>	<u>—</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets.....	<u>(9,653)</u>	<u>—</u>
Cash Flows From Investment Activities		
Interest on investments	<u>26</u>	<u>—</u>
Net Increase (Decrease) in Cash, Cash Equivalents and Investments.....	54,241	(1,381)
Cash, Cash Equivalents and Investments - Beginning of Year	<u>302,915</u>	<u>2,025</u>
Cash, Cash Equivalents and Investments - End of Year	<u>\$ 357,156</u>	<u>\$ 644</u>
Reconciliation of Loss From Operations to Net Cash Used in Operating Activities		
Loss from operations.....	\$ (431,353)	\$ (1,381)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities		
Commodities used.....	52,211	—
Depreciation	16,146	—
Changes in Assets and Liabilities		
Decrease in receivables	1,583	—
Decrease in inventories	4,421	—
Decrease in accounts payable.....	(3,894)	—
Increase in salaries and benefits payable	8,731	—
Decrease in unearned revenue	(428)	—
Net Cash Used in Operating Activities.....	<u>\$ (352,583)</u>	<u>\$ (1,381)</u>

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2014, the District received \$61,946 of federal commodities.

See accompanying notes to the financial statements.

Statement of Fiduciary Assets and Liabilities - Agency Fund ---

As of June 30, 2014

Assets

Cash, cash equivalents and investments.....	<u>\$ 8,384</u>
---	-----------------

Liabilities

Accounts payable	<u>\$ 8,384</u>
------------------------	-----------------

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board.

Reporting Entity

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

Basis of Presentation

Government-Wide Financial Statements

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

The statement of net position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

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

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (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 revenue are reported instead as general revenue.

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

The District's proprietary funds are the School Nutrition Fund, a nonmajor enterprise fund, used to account for the food service operations of the District and the Flexible Benefits Fund, an internal service fund, used to account for the District's flexible benefits plans.

The District's fiduciary fund includes the following:

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

Measurement Focus and Basis of Accounting

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

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

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

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

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of the District's enterprise funds is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash, Cash Equivalents and Investments

The cash balances of most District funds are invested. Investments are stated at fair value except for the investment in nonnegotiable certificates of deposit and the Entrepreneurial Education Fund's investment in Lime Springs Beef, LLC which are stated at cost.

(1) Summary of Significant Accounting Policies

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

Property Tax Receivable

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax 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 government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1-1/2% monthly penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014; and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

Due From Other Governments

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

Inventories

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

Capital Assets

Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. The District did not have any intangible assets as of June 30, 2014. 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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Land.....	\$ —
Buildings	25,000
Improvements other than buildings	25,000
Intangibles.....	200,000
Furniture and Equipment	
School Nutrition Fund equipment	500
Other furniture and equipment.....	5,000

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

Buildings	5 - 50 Years
Improvements other than buildings	5 - 20 Years
Intangibles.....	5 - 10 Years
Furniture and equipment	3 - 20 Years

Salaries and Benefits Payable

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

Compensated Absences

District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District had no compensated absences liability as of June 30, 2014.

Long-Term Liabilities

In the government-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.

Deferred Inflows of Resources

Although certain revenue is measurable, it is not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and income surtax receivable not collected within 60 days after year end.

Deferred inflows of resources in the statement of net position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Fund Equity

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

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

Unassigned - All amounts not included in the preceding classification.

Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2014, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through January 6, 2015, the date which the financial statements were available to be issued.

(2) Cash, Cash Equivalents and Investments

The District's deposits in banks as of June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

In addition, the District's Entrepreneurial Education Fund is authorized by statute to invest moneys of a student organization or club in entrepreneurial activities. During the year ended June 30, 2014, an investment of \$20,000 from the Future Farmers of America Club was made into Lime Springs Beef, LLC through the Entrepreneurial Education Fund. The investment was unrated and the fair market value of the investment cannot be determined.

Notes to the Financial Statements

(3) Due From and Due To Other Funds

The detail of interfund receivables and payables as of June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects	General	\$ 30,431
Enterprise		
School Nutrition	General	<u>2,932</u>
		<u>\$ 33,363</u>

The General Fund is repaying the Capital Projects Fund for income surtax incorrectly recorded in the current year. The General Fund is repaying the Enterprise, School Nutrition Fund for various reimbursements incorrectly recorded in the current year. The balances are to be repaid by June 30, 2015.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer To	Transfer From	Amount
General	Enterprise	
	School Nutrition	\$ 6,079
Special Revenue		
Entrepreneurial Education	Special Revenue	
	Student Activity	20,000
Debt Service	Capital Projects	<u>348,000</u>
		<u>\$ 374,079</u>

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

Notes to the Financial Statements

(5) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land.....	\$ 720,404	\$ —	\$ —	\$ 720,404
Capital Assets Being Depreciated				
Buildings	17,247,154	264,645	—	17,511,799
Improvements other than buildings	1,034,381	87,915	—	1,122,296
Furniture and equipment	3,282,869	307,147	272,781	3,317,235
Total Capital Assets Being Depreciated.....	<u>21,564,404</u>	<u>659,707</u>	<u>272,781</u>	<u>21,951,330</u>
Less Accumulated Depreciation for				
Buildings	6,951,370	358,046	—	7,309,416
Improvements other than buildings	568,428	103,624	—	672,052
Furniture and equipment	2,417,149	230,645	272,781	2,375,013
Total Accumulated Depreciation...	<u>9,936,947</u>	<u>692,315</u>	<u>272,781</u>	<u>10,356,481</u>
Total Capital Assets Being Depreciated, Net	<u>11,627,457</u>	<u>(32,608)</u>	<u>—</u>	<u>11,594,849</u>
Governmental Activities Capital Assets, Net.....				
	<u>\$ 12,347,861</u>	<u>\$ (32,608)</u>	<u>\$ —</u>	<u>\$ 12,315,253</u>
Business-Type Activities				
Furniture and equipment	\$ 420,571	\$ 9,653	\$ —	\$ 430,224
Less accumulated depreciation	<u>309,946</u>	<u>16,146</u>	<u>—</u>	<u>326,092</u>
Business-Type Activities Capital Assets, Net.....				
	<u>\$ 110,625</u>	<u>\$ (6,493)</u>	<u>\$ —</u>	<u>\$ 104,132</u>

Depreciation expense was charged to the following functions:

Governmental Activities

Instruction		
Regular		\$ 3,761
Other.....		17,259
Support Services		
Administration		18,415
Operation and maintenance of plant		10,224
Transportation.....		176,254
		<u>225,913</u>
Unallocated depreciation		466,402
Total Depreciation Expense - Governmental Activities		<u>\$ 692,315</u>

Business-Type Activities

Food service operations		<u>\$ 16,146</u>
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Notes to the Financial Statements

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
Governmental Activities					
Revenue bonds	\$ 2,600,000	\$ —	\$ 420,000	\$ 2,180,000	\$ —
Capital lease.....	729,378	—	237,855	491,523	243,088
Early retirement.....	555,279	761,032	277,312	1,038,999	531,644
Net OPEB liability	294,000	68,000	—	362,000	—
Total	\$ 4,178,657	\$ 829,032	\$ 935,167	\$ 4,072,522	\$ 774,732

Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bonds Issued November 1, 2009		
	Interest Rates	Principal	Interest
2015	3.950%	\$ —	\$ 86,198
2016	3.125	180,000	86,197
2017	3.375	190,000	80,572
2018	4.000	195,000	74,160
2019	4.000	205,000	66,360
2020-2024	4.000 - 4.200	1,150,000	202,320
2025	4.300	260,000	11,180
Total		\$ 2,180,000	\$ 606,987

The District has pledged future statewide sales, services and use tax revenue to repay the \$2,180,000 of bonds issued in November, 2009. The bonds were issued for the purpose of financing school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through 2025. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require 20% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$2,786,987. For the current year, principal of \$420,000 and interest of \$104,258 was paid on the bonds and total statewide sales, services and use tax revenue was \$1,128,655.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- (a) \$218,000 of the proceeds from the issuance of revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- (b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.

Notes to the Financial Statements

(6) Long-Term Liabilities

- (c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- (d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all the revenue bond provisions during the year ended June 30, 2014.

Capital Lease

During the year ended June 30, 2013, the District entered into a lease purchase agreement for computers and computer equipment totaling \$983,279. The cost of the individual computers and computer equipment was below the District's capitalization policy and has not been recorded as capital assets. The agreement provides for an initial down payment and three additional annual payments of \$253,901, payable from the Capital Projects Fund and includes interest at 2.2%. Details of the District's indebtedness under the agreement in effect as of June 30, 2014 is as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 243,088	\$ 10,813	\$ 253,901
2016	<u>248,435</u>	<u>5,466</u>	<u>253,901</u>
Total	<u>\$ 491,523</u>	<u>\$ 16,279</u>	<u>\$ 507,802</u>

(7) Operating Leases

The District leases copier equipment under leases expiring in October, 2014 and October, 2019. The agreements provide for monthly lease payments of \$5,446, through October, 2014 and \$2,968 starting in October, 2014 through October, 2019.

The following is a schedule by years of future minimum lease payments required under these operating leases:

Year Ending June 30,	
2015	\$ 43,049
2016	35,616
2017	35,616
2018	35,616
2019	35,616
2020	<u>8,904</u>
Total Minimum Lease Payments	<u>\$ 194,417</u>

Rental expense for the lease agreements was \$65,664 for the year ended June 30, 2014.

In July, 2012, the District entered into a lease with the local community college for space in the Cresco Center building. The lease requires semi-annual payments of \$15,000 through June, 2017. In accordance with generally accepted accounting principles, rent income is being recognized on a straight-line basis over the actual period of occupancy.

Notes to the Financial Statements

(7) Operating Leases

The following is a schedule by years of future minimum lease payments to be received under this operating lease:

Year Ending June 30,	
2015	\$ 30,000
2016	30,000
2017	<u>30,000</u>
Total Minimum Lease Payments To Be Received	<u>\$ 90,000</u>

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$702,089, \$643,009 and \$582,841, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description

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

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

Funding Policy

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

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

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 which, 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 for June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 140,000
Interest on net OPEB obligation.....	7,000
Adjustment to annual required contribution.....	<u>(53,000)</u>
Annual OPEB Cost	94,000
Contributions made	<u>(26,000)</u>
Increase in Net OPEB Obligation	68,000
Net OPEB Obligation - Beginning of Year.....	<u>294,000</u>
Net OPEB Obligation - End of Year	<u>\$ 362,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end-of-year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended 2014, the District contributed \$26,000 to the medical plan. Plan members eligible for benefits contributed \$3,246, or 11.1%, of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 116,000	22.4%	\$ 226,000
June 30, 2013	106,000	35.8	294,000
June 30, 2014	94,000	27.7	362,000

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for the period of July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$765,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$765,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,627,000 and the ratio of the UAAL to the covered payroll was 10.0%. As of June 30, 2014, there were no trust fund assets.

(9) Other Postemployment Benefits (OPEB)

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 healthcare 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 for the retiree health plan presented as required supplementary information in the section following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. An inflation rate of 0% is assumed for the purpose of this calculation.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a 2/3 female to 1/3 male basis. Annual retirement probabilities were developed from the retirement probabilities from the 2006 Society of Actuaries Study. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

(10) Risk Management

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

Northeast Iowa Schools Insurance Trust

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

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

Notes to the Financial Statements

(10) Risk Management

The District's contributions to the Trust for the years ended June 30, 2014, 2013 and 2012 were \$1,774,752, \$1,752,208 and \$1,750,468, respectively, equal to the required contributions for each year. The total premiums paid into the Trust by all member districts and retirees from July 1, 2012 and June 30, 2013 (the latest available audited financial statements) were \$11,058,486.

(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 \$561,136 for the year ended June 30, 2014, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Early Retirement

The District offered a voluntary early retirement plan to employees for the years ended June 30, 2010 and June 30, 2014 only. Eligible employees must have completed at least ten years of service to the District and had to be at least age 55 by June 30 in the year of retirement. The application for early retirement under both plans was subject to approval by the Board of Education.

2010 Early Retirement Plan

The early retirement benefit for each participating licensed teacher or administrator is equal to 50% of the employee's base salary for the final year of employment plus \$3,000 for each year of employment with the District up to a maximum of 25 years. The base salary does not include teacher quality, Phase II or extra-curricular salary. The early retirement benefit for each participating noncertified employee is equal to 50% of the employee's base salary for the final year of employment plus \$1,500 for each year of employment with the District up to a maximum of 25 years. The base salary does not include extra-curricular salary, overtime or additional hours worked. Early retirement benefits will be paid into a tax-deferred benefit plan in five equal annual payments with the last payment due in August, 2014.

2014 Early Retirement Plan

Early retirement benefits equal the employee's calendar year 2013 gross wages, less any lawful deductions. In addition, the retiring employee shall be entitled to payment for any accrued sick leave at the rate of \$90 per unused day for licensed employees or \$65 per unused day for nonlicensed employees.

The policy requires early retirement benefits be paid in three equal installments beginning in August, 2014. The second and third payments will be paid in August, 2015 and August, 2016, respectively.

As of June 30, 2014, the District had obligations to 33 participants with a total liability of \$1,038,999. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$277,312.

Notes to the Financial Statements

(13) Categorical Funding

The District's restricted fund balance for categorical funding as of June 30, 2014 is comprised of the following programs:

Program	Amount
Early intervention program.....	\$ 1,617
Educator quality, professional development	25,745
Empowerment professional development	115,005
Home school assistance program.....	2,619
Market factor	10,483
Market factor incentives.....	2,671
Professional development for model core curriculum.....	1,600
Returning dropout and dropout prevention program	231,315
Science, technology, engineering and mathematics	1,481
Successful progression for early readers.....	22,654
Teacher leadership.....	9,365
Technology and software.....	34,213
Total	<u>\$ 458,768</u>

(14) Construction Commitments

The District has entered into various contracts for several projects which are primarily being funded by statewide sales, services and use tax. The projects include the K-8 vestibule, sign with message board, solar panels, tuck-pointing and other various projects. As of June 30, 2014, the remaining commitment on these contracts was approximately \$368,000.

(15) Prior Period Restatement

The District restated beginning fund balance to account for a \$195,851 grant received for the construction of a daycare and early childhood education center completed during the year ended June 30, 2013. The grant payment was received during the year ended June 30, 2014 but the grant revenue should have been recorded during the year ended June 30, 2013 so that grant revenue and expenditures were recorded in the same fiscal year.

The effect of the restatement on the District's beginning fund balance/net position were as follows:

	Governmental Activities	<u>Capital Projects</u> Statewide Sales, Services and Use Tax
Fund Balance/Net Position - Beginning of Year, as previously reported.....	\$ 15,858,467	\$ 1,555,008
Record daycare and early childhood education center grant	<u>195,851</u>	<u>195,851</u>
Fund Balance/Net Position - Beginning of Year, as Restated.....	<u>\$ 16,054,318</u>	<u>\$ 1,750,859</u>

(16) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*. This statement will be implemented during the year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the statement of net position may include a significant liability for the District's proportionate share of the IPERS employee pension plan unfunded pension liability.

Required Supplementary Information

Schedule of Budgetary Comparison of Revenue, Expenditures/Expenses and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Fund

Year Ended June 30, 2014

	Governmental Fund Types	Proprietary Fund Type	Total	Original and Final Budget	Over (Under) Budget
Revenue					
Local sources	\$ 8,374,885	\$ 372,062	\$ 8,746,947	\$ 9,334,766	\$ (587,819)
State sources	8,591,488	6,145	8,597,633	7,158,291	1,439,342
Federal sources	<u>583,782</u>	<u>491,653</u>	<u>1,075,435</u>	<u>1,885,240</u>	<u>(809,805)</u>
Total Revenue	<u>17,550,155</u>	<u>869,860</u>	<u>18,420,015</u>	<u>18,378,297</u>	<u>41,718</u>
Expenditures/Expenses					
Instruction.....	9,799,360	—	9,799,360	10,762,000	(962,640)
Support services	5,335,100	—	5,335,100	6,135,629	(800,529)
Noninstructional programs	19,246	803,389	822,635	933,900	(111,265)
Other expenditures.....	<u>2,074,196</u>	<u>—</u>	<u>2,074,196</u>	<u>2,193,286</u>	<u>(119,090)</u>
Total Expenditures/Expenses	<u>17,227,902</u>	<u>803,389</u>	<u>18,031,291</u>	<u>20,024,815</u>	<u>(1,993,524)</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures/ Expenses	322,253	66,471	388,724	(1,646,518)	2,035,242
Other Financing Sources (Uses) (Net)	<u>21,529</u>	<u>(6,079)</u>	<u>15,450</u>	<u>61,090</u>	<u>(45,640)</u>
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures/ Expenses and Other Financing Uses	343,782	60,392	404,174	(1,585,428)	1,989,602
Balance - Beginning of Year, as Restated (Note 15)	<u>7,250,000</u>	<u>400,898</u>	<u>7,650,898</u>	<u>3,336,754</u>	<u>4,314,144</u>
Balance - End of Year	<u>\$ 7,593,782</u>	<u>\$ 461,290</u>	<u>\$ 8,055,072</u>	<u>\$ 1,751,326</u>	<u>\$ 6,303,746</u>

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

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

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

During the year ended June 30, 2014, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Schedule of Funding Progress for the Retiree Health Plan ---

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	7-1-08	\$ —	\$ 1,045,000	\$ 1,045,000	0%	\$ 7,795,000	13.4%
2010	7-1-08	—	1,022,000	1,022,000	0	7,944,000	12.9
2011	7-1-10	—	880,000	880,000	0	7,169,000	12.3
2012	7-1-10	—	880,000	880,000	0	7,140,000	12.3
2013	7-1-12	—	765,000	765,000	0	7,354,000	10.4
2014	7-1-12	—	765,000	765,000	0	7,627,000	10.0

See Note 9 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2014

	Special Revenue				Total
	Student Activity	Management Levy	Entrepreneurial Education	Debt Service	
Assets					
Cash, cash equivalents and investments	\$ 359,907	\$ 805,608	\$ 20,000	\$ 43,099	\$ 1,228,614
Receivables					
Property Tax, Net of Allowance					
Current year delinquent.....	—	9,552	—	—	9,552
Succeeding year	—	599,999	—	—	599,999
Accrued interest.....	183	660	—	—	843
Other.....	805	1,055	—	—	1,860
Due from other governments	—	27	—	—	27
Total Assets.....	<u>\$ 360,895</u>	<u>\$ 1,416,901</u>	<u>\$ 20,000</u>	<u>\$ 43,099</u>	<u>\$ 1,840,895</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable.....	\$ 6,080	\$ —	\$ —	\$ —	\$ 6,080
Due to other governments	—	8	—	—	8
Total Liabilities	<u>6,080</u>	<u>8</u>	<u>—</u>	<u>—</u>	<u>6,088</u>
Deferred Inflows of Resources					
Unavailable Resources					
Succeeding year property tax.....	—	599,999	—	—	599,999
Fund Balances					
Restricted for					
Student activities	354,815	—	—	—	354,815
Management levy purposes	—	816,894	—	—	816,894
Entrepreneurial education activity	—	—	20,000	—	20,000
Debt service.....	—	—	—	43,099	43,099
Total Fund Balances	<u>354,815</u>	<u>816,894</u>	<u>20,000</u>	<u>43,099</u>	<u>1,234,808</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances...	<u>\$ 360,895</u>	<u>\$ 1,416,901</u>	<u>\$ 20,000</u>	<u>\$ 43,099</u>	<u>\$ 1,840,895</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2014

	Special Revenue				Total
	Student Activity	Management Levy	Entrepreneurial Education	Debt Service	
Revenue					
Local Sources					
Local tax	\$ —	\$ 661,564	\$ —	\$ —	\$ 661,564
Other	379,028	18,476	—	1,951	399,455
State sources	—	304	—	—	304
Total Revenue	<u>379,028</u>	<u>680,344</u>	<u>—</u>	<u>1,951</u>	<u>1,061,323</u>
Expenditures					
Current					
Instruction					
Regular	—	235,295	—	—	235,295
Other	391,030	—	—	—	391,030
Total Instruction	<u>391,030</u>	<u>235,295</u>	<u>—</u>	<u>—</u>	<u>626,325</u>
Support Services					
Student	—	19,999	—	—	19,999
Administration	—	69,243	—	—	69,243
Operation and maintenance of plant	—	195,880	—	—	195,880
Transportation	—	47,393	—	—	47,393
Total Support Services	<u>—</u>	<u>332,515</u>	<u>—</u>	<u>—</u>	<u>332,515</u>
Noninstructional programs	<u>—</u>	<u>19,246</u>	<u>—</u>	<u>—</u>	<u>19,246</u>
Other Expenditures					
Long-Term Debt					
Principal	—	—	—	657,855	657,855
Interest and fiscal charges	—	—	—	123,304	123,304
Total Other Expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>781,159</u>	<u>781,159</u>
Total Expenditures	<u>391,030</u>	<u>587,056</u>	<u>—</u>	<u>781,159</u>	<u>1,759,245</u>
Revenue Over (Under) Expenditures	<u>(12,002)</u>	<u>93,288</u>	<u>—</u>	<u>(779,208)</u>	<u>(697,922)</u>
Other Financing Sources (Uses)					
Operating transfers in	—	—	20,000	348,000	368,000
Operating transfers out	(20,000)	—	—	—	(20,000)
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>—</u>	<u>20,000</u>	<u>348,000</u>	<u>348,000</u>
Change in Fund Balances	<u>(32,002)</u>	<u>93,288</u>	<u>20,000</u>	<u>(431,208)</u>	<u>(349,922)</u>
Fund Balances - Beginning of Year	<u>386,817</u>	<u>723,606</u>	<u>—</u>	<u>474,307</u>	<u>1,584,730</u>
Fund Balances - End of Year	<u>\$ 354,815</u>	<u>\$ 816,894</u>	<u>\$ 20,000</u>	<u>\$ 43,099</u>	<u>\$ 1,234,808</u>

Schedule of Changes in Special Revenue Fund, Student Activity Accounts —

Year Ended June 30, 2014

	Balance - Beginning of Year	Revenue	Expendi- tures and Transfers	Intrafund Transfers	Balance - End of Year
Athletics.....	\$ 33,331	\$ 161,167	\$ 166,700	\$ 55,431	\$ 83,229
Business Club	244	—	—	—	244
Class of 2014	605	—	—	(605)	—
Class of 2015	3,487	50	1,761	—	1,776
Class of 2016	—	634	—	606	1,240
Cresco Elementary	27,608	43,926	48,035	—	23,499
Crest Newspaper.....	931	—	—	—	931
Elma Elementary	8,949	2,792	2,700	—	9,041
Future Farmers of America - FFA	111,229	75,575	99,033	—	87,771
High School Cheerleaders.....	458	11,507	8,902	—	3,063
High School Concessions.....	1,654	1,508	693	—	2,469
High School Drama	5,672	3,006	1,804	—	6,874
High School General Activity	4,525	4,904	8,447	—	982
High School Instrumental Music	10,020	3,819	4,677	—	9,162
High School Speech.....	710	906	1,488	622	750
High School Student Clubs.....	92	—	49	—	43
High School Student Council	1,888	9,067	6,796	—	4,159
High School Trapshooting	—	50	33	—	17
High School Vocal Music.....	33,905	14,956	18,033	—	30,828
High School Winter Drumline.....	520	200	231	—	489
High School Yearbook.....	9,085	5,509	12,084	—	2,510
Honor Roll	3,224	—	—	—	3,224
Horticulture Club.....	3,160	2,535	1,500	—	4,195
Junior High Cheerleaders.....	2,541	780	624	—	2,697
Junior High Drama.....	5,550	1,662	508	—	6,704
Junior High Magazine Sales	9,727	8,418	8,716	—	9,429
Junior High Music.....	28,595	6,139	4,225	—	30,509
Junior High Student Council	2,006	4,581	1,341	—	5,246
Junior High Yearbook.....	722	2,326	2,273	—	775
Language Club	277	1	—	—	278
Lime Springs Elementary.....	16,792	10,319	8,379	—	18,732
Lime Springs Garden.....	385	—	—	—	385
National Honor Society.....	97	1,061	1,066	—	92
Picture Fund.....	1,895	—	—	—	1,895
Robe Fund	886	—	—	—	886
SADD	101	—	—	—	101
Unallocated Interest Income	55,356	1,630	932	(56,054)	—
Wellness Fair - Luther	590	—	—	—	590
	<u>\$ 386,817</u>	<u>\$ 379,028</u>	<u>\$ 411,030</u>	<u>\$ —</u>	<u>\$ 354,815</u>

Combining Balance Sheet - Capital Projects Accounts

As of June 30, 2014

	<u>Capital Projects</u>		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and investments.....	\$ 1,843,666	\$ 713,149	\$ 2,556,815
Receivables			
Property Tax, Net of Allowance			
Current year delinquent.....	—	2,634	2,634
Succeeding year	—	342,966	342,966
Other.....	12,975	—	12,975
Due from other funds.....	—	30,431	30,431
Due from other governments	<u>211,423</u>	<u>268,473</u>	<u>479,896</u>
Total Assets	<u>\$ 2,068,064</u>	<u>\$ 1,357,653</u>	<u>\$ 3,425,717</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	<u>\$ 27,461</u>	<u>\$ 31,116</u>	<u>\$ 58,577</u>
Deferred Inflows of Resources			
Unearned Revenue			
Succeeding year property tax.....	—	342,966	342,966
Income surtax	—	<u>268,465</u>	<u>268,465</u>
Total Deferred Inflows of Resources	<u>—</u>	<u>611,431</u>	<u>611,431</u>
Fund Balances			
Restricted			
School infrastructure	1,821,558	—	1,821,558
Debt service.....	219,045	—	219,045
Physical plant and equipment	—	<u>715,106</u>	<u>715,106</u>
Total Fund Balances	<u>2,040,603</u>	<u>715,106</u>	<u>2,755,709</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,068,064</u>	<u>\$ 1,357,653</u>	<u>\$ 3,425,717</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Capital Projects Accounts

Year Ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenue			
Local Sources			
Local tax	\$ —	\$ 499,753	\$ 499,753
Other.....	13,288	8,232	21,520
State sources	<u>1,128,655</u>	<u>91</u>	<u>1,128,746</u>
Total Revenue	<u>1,141,943</u>	<u>508,076</u>	<u>1,650,019</u>
Expenditures			
Current			
Support Services			
Instructional staff.....	69,320	14,956	84,276
Operation and maintenance of plant.....	—	115,279	115,279
Transportation	<u>188,017</u>	<u>—</u>	<u>188,017</u>
Total Support Services	<u>257,337</u>	<u>130,235</u>	<u>387,572</u>
Other Expenditures			
Facilities acquisition	<u>258,312</u>	<u>473,589</u>	<u>731,901</u>
Total Expenditures	<u>515,649</u>	<u>603,824</u>	<u>1,119,473</u>
Revenue Over (Under) Expenditures	<u>626,294</u>	<u>(95,748)</u>	<u>530,546</u>
Other Financing Sources (Uses)			
Proceeds from the sale of capital assets	11,450	4,000	15,450
Operating transfers out.....	<u>(348,000)</u>	<u>—</u>	<u>(348,000)</u>
Total Other Financing Sources (Uses)	<u>(336,550)</u>	<u>4,000</u>	<u>(332,550)</u>
Change in Fund Balances	289,744	(91,748)	197,996
Fund Balances - Beginning of Year, as Restated (Note 15).....	<u>1,750,859</u>	<u>806,854</u>	<u>2,557,713</u>
Fund Balances - End of Year	<u>\$ 2,040,603</u>	<u>\$ 715,106</u>	<u>\$ 2,755,709</u>

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund ▬

Year Ended June 30, 2014

	Balance - Beginning of Year	Additions	Deductions	Balance - End of Year
Assets				
Cash, cash equivalents and investments.....	<u>\$ 4,724</u>	<u>\$ 8,384</u>	<u>\$ 4,724</u>	<u>\$ 8,384</u>
Liabilities				
Accounts payable	<u>\$ 4,724</u>	<u>\$ 8,384</u>	<u>\$ 4,724</u>	<u>\$ 8,384</u>

**Schedule of Revenue By Source and Expenditures By Function -
All Governmental Fund Types (Modified Accrual Basis)**

For the Last Ten Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenue										
Local Sources										
Local tax	\$ 7,138,428	\$ 8,096,621	\$ 7,671,340	\$ 7,209,612	\$ 6,577,455	\$ 6,821,984	\$ 6,812,672	\$ 6,378,914	\$ 6,087,320	\$ 5,996,093
Tuition	414,707	373,108	280,217	215,829	319,924	227,553	204,089	247,706	184,356	198,164
Other	821,750	602,319	724,921	730,909	699,332	838,776	729,046	759,814	700,910	704,802
State sources	8,591,488	7,436,402	7,584,557	7,126,600	6,289,365	7,522,536	7,066,374	6,681,279	6,544,167	6,488,279
Federal sources.....	<u>583,782</u>	<u>1,362,133</u>	<u>897,573</u>	<u>948,442</u>	<u>1,423,069</u>	<u>562,688</u>	<u>984,220</u>	<u>798,154</u>	<u>627,384</u>	<u>834,432</u>
Total	<u>\$ 17,550,155</u>	<u>\$ 17,870,583</u>	<u>\$ 17,158,608</u>	<u>\$ 16,231,392</u>	<u>\$ 15,309,145</u>	<u>\$ 15,973,537</u>	<u>\$ 15,796,401</u>	<u>\$ 14,865,867</u>	<u>\$ 14,144,137</u>	<u>\$ 14,221,770</u>
Expenditures										
Instruction.....	\$ 9,799,360	\$ 10,321,887	\$ 9,585,827	\$ 9,203,216	\$ 9,438,459	\$ 9,446,490	\$ 8,546,096	\$ 8,247,963	\$ 8,031,145	\$ 7,657,561
Support Services										
Student	390,141	397,838	346,167	308,468	381,992	445,080	522,259	484,839	467,585	621,567
Instructional staff.....	528,603	370,300	652,069	498,324	747,430	565,222	452,757	604,306	503,050	560,822
Administration	1,502,743	1,412,033	1,295,175	1,304,088	1,339,120	1,370,113	1,407,458	1,290,720	1,191,906	1,180,804
Operations and maintenance of plant.....	1,748,137	1,382,162	1,094,810	1,189,005	1,229,526	1,333,747	1,258,183	1,170,965	1,142,621	1,138,546
Transportation.....	1,165,476	1,095,210	1,091,216	994,951	1,225,877	1,083,458	973,684	783,180	781,515	710,992
Noninstructional programs.....	19,246	25,252	24,253	25,141	32,461	25,615	9,324	25,399	16,509	20,168
Other Expenditures										
Facilities acquisition	731,901	1,238,707	631,166	158,279	906,176	1,001,601	2,446,356	812,778	235,986	604,332
Long-Term Debt										
Principal	657,855	420,000	600,000	645,000	995,000	996,364	923,636	737,457	625,472	703,001
Interest and fiscal charges.....	123,304	125,108	151,307	194,239	185,572	167,855	191,055	155,746	180,759	209,629
AEA flowthrough	<u>561,136</u>	<u>544,490</u>	<u>545,142</u>	<u>594,473</u>	<u>578,150</u>	<u>534,196</u>	<u>515,279</u>	<u>485,091</u>	<u>467,927</u>	<u>466,256</u>
Total	<u>\$ 17,227,902</u>	<u>\$ 17,332,987</u>	<u>\$ 16,017,132</u>	<u>\$ 15,115,184</u>	<u>\$ 17,059,763</u>	<u>\$ 16,969,741</u>	<u>\$ 17,246,087</u>	<u>\$ 14,798,444</u>	<u>\$ 13,644,475</u>	<u>\$ 13,873,678</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Grant Number	Expenditures
U.S. Department of Agriculture - Indirect			
Pass-Through From Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program.....	10.553	FY 14	\$ 65,792
National School Lunch Program	10.555	FY 14	326,938
National School Lunch Program - Food Donation (noncash).....	10.555	FY 14	61,946
Summer Food Service Program for Children	10.559	FY 14	<u>29,379</u>
Total Child Nutrition Cluster.....			<u>484,055</u>
Team Nutrition Grants.....	10.574	FY 14	<u>7,598</u>
Total U.S. Department of Agriculture			<u>491,653</u>
U.S. Department of Education - Indirect			
Pass-Through From Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	FY 14	<u>253,708</u>
Advanced Placement Program - Advanced Placement Test Fee - Advanced Placement Incentive Program Grants.....	84.330	FY 14	<u>381</u>
Improving Teacher Quality State Grants	84.367	FY 14	<u>65,717</u>
Grants for State Assessments and Related Activities Total Pass-Through From Iowa Department of Education	84.369	FY 14	<u>6,864</u>
			<u>326,670</u>
Pass-Through From Keystone Area Education Agency			
Special Education - Grants to States.....	84.027	FY 14	<u>68,881</u>
Career and Technical Education - Basic Grants to States	84.048	FY 14	<u>1,331</u>
Total Pass -Through From Keystone Area Education Agency.....			<u>70,212</u>
Total U.S. Department of Education.....			<u>396,882</u>
U.S. Department of Health and Human Services - Indirect			
Pass-Through From Iowa Department of Education			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems.....	93.938	FY 14	<u>170</u>
Total			<u>\$ 888,705</u>

Schedule of Expenditures of Federal Awards ---

Year Ended June 30, 2014

Basis of Presentation

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

Subrecipients

Howard-Winneshiek Community School District provided no federal awards to subrecipients.

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

Board of Education
Howard-Winneshiek Community School District
Cresco, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Howard-Winneshiek Community School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated January 6, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Howard-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 Howard-Winneshiek Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Howard-Winneshiek Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness and certain deficiencies that we consider to be significant deficiencies.

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 a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying schedule of findings and questioned costs as item 14-II-R-1 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying schedule of findings and questioned costs as items 14-II-R-2 and 14-II-R-3 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Howard-Winneshiek Community School District's Responses to Findings

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

Purpose of This Report

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

HOGAN - HANSEN

HOGAN - HANSEN

Waterloo, Iowa
January 6, 2015

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A Professional Corporation

Certified Public Accountants and Consultants

Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Education
Howard-Winneshiek Community School District
Cresco, Iowa

Report on Compliance for the Major Federal Program

We have audited Howard-Winneshiek Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on Howard-Winneshiek Community School District's major federal program for the year ended June 30, 2014. Howard-Winneshiek Community School District's major federal program is identified in Part I of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Howard-Winneshiek Community School District's major federal program based on our audit of the types of compliance requirements referred to above.

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

Opinion on the Major Federal Program

In our opinion, Howard-Winneshiek Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an other instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 14-III-C-1. Our opinion on the major federal program is not modified with respect to this matter.

Howard-Winneshiek Community School District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Howard-Winneshiek Community School District's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 14-III-R-2 to be a material weakness.

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

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

HOGAN - HANSEN

HOGAN - HANSEN

Waterloo, Iowa
January 6, 2015

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Part I: Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Significant deficiency identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

Federal Awards

Internal control over major program:	
Material weakness identified?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Significant deficiency identified not considered to be material weakness?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> none reported

Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no

Identification of major programs:

CFDA Numbers

Child Nutrition Cluster
 10.553
 10.555
 10.559

Name of Federal Program or Cluster

School Breakfast Program
 National School Lunch Program
 Summer Food Service Program
 for Children

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Part II: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

14-II-R-1 Segregation of Duties

Prior Year Finding and Recommendation - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The limited number of accounting personnel employed by the District makes it difficult to achieve adequate control procedures through segregation of duties. The concentration of closely related duties and responsibilities, such as recording and preparing cash receipts, preparing and recording checks and preparation of journals and general financial information for posting makes it difficult to establish an adequate system of automatic internal checks on accounting record accuracy and reliability. The potential effect of this material weakness is an error or fraud occurring and not being detected in a timely manner.

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

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate the prior year recommendation.

District's Response - We will review procedures and will implement additional controls where possible.

Auditor's Conclusion - Response accepted.

14-II-R-2 School Nutrition Capital Assets Listing

Prior Year Finding and Recommendation - It was noted some fully depreciated School Nutrition Fund capital assets over 12 years old were removed from the capital assets listing, even though the District still has the capital asset. The potential effect of this significant deficiency is capital assets and accumulated depreciation reported in the financial statements being misstated.

It was recommended the capital asset listing should include all capital assets the District has, whether fully depreciated or not, and capital assets should only be removed from the listing when they are disposed of. In addition, the listing should also be reconciled to the School Nutrition capital assets and accumulated depreciation accounts in the general ledger each year.

Current Year Finding - We found the same condition exists and also noted the capital asset listing is not being updated for additions and reconciled to the general ledger.

Auditor's Recommendation - We reiterate the prior year recommendation and also recommend the listing be updated for additions annually.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

District's Response - We will make sure that the School Nutrition capital assets listing includes all capital assets and is reconciled to the general ledger each year.

Auditor's Conclusion - Response accepted.

14-II-R-3 Inventory Pricing

Finding - We noted inventory prices on the year-end inventory listing are not being updated to reflect the actual current cost of items purchased or the current contributed value for government commodities. The potential effect of this significant deficiency is the inventory value reported in the financial statements being misstated.

Auditor's Recommendation - We recommend the inventory prices included on the year-end inventory listing be updated at least annually to reflect the actual current cost of items purchased or the current contributed value for government commodities.

District's Response - We will update inventory prices included on the inventory listing at least annually.

Auditor's Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards

Instances of Noncompliance

14-III-C-1 Paid Lunch Equity (2014-001)

Finding - We noted that the District did not increase fiscal year 2014 meal prices at least \$0.10 from the prior year in accordance with the paid lunch equity requirements. Meal prices were only increased \$0.05 during fiscal year 2014.

Auditor's Recommendation - We recommend the District increase meal prices annually in accordance with paid lunch equity requirements.

District's Response - We will increase meal prices annually in accordance with paid lunch equity requirements. Meal price increases in compliance with paid lunch equity requirements for fiscal year 2015 were approved in May, 2014 and September, 2014.

Auditor's Conclusion - Response accepted.

Internal Control Deficiencies

All Programs Displayed on the Schedule of Expenditures of Federal Awards

14-III-R-2 **Segregation of Duties** - Adequate control procedures through the segregation of (2014-002) employee duties is difficult to achieve due to the limited number of staff administering grants and performing accounting functions. See finding 14-II-R-1 for additional information.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Part IV: Other Findings Related to Statutory Reporting

14-IV-A Certified Budget - Expenditures for the year ended June 30, 2014 did not exceed the amounts budgeted.

14-IV-B Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

13-II-D Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rachelle McAllister, daughter of Board Member Karlos McClure	Teacher wages	\$ 61,222 *
Kelly Bodermann, spouse of Board member Duane Bodermann	Teacher associate wages	15,032 *
James Kitchen, Board Member, owner of Kitchen Construction, LLC	Solar project - \$92,907 total project	46,454 **
Shirley Sovereign, Principal, spouse is co-owner of Cresco Fuels	Diesel fuel	24,960 ***

* In accordance with an Attorney General's Opinion dated November 9, 1976 and Chapter 279.7A of the Code of Iowa, these transactions do not appear to represent any conflict of interest.

** The transaction does not appear to represent a conflict of interest since it was entered into through a competitive bidding process in accordance with Chapters 279.7A and 26.2 through 26.13 of the Code of Iowa.

*** In accordance with Chapter 279.7A of the Code of Iowa, the above transaction may represent a conflict of interest since a competitive bidding process was not utilized and transactions were in excess of \$2,500.

Auditor's Recommendation - The District should use a competitive bidding process when practicable.

District's Response - We will use a competitive bidding process when possible.

Auditor's Conclusion - Response accepted.

14-IV-E 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.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

- 14-IV-F Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.
- 14-IV-G Certified Enrollment** - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- 14-IV-H Supplementary Weighting** - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 14-IV-I Deposits and Investments** - No instances of noncompliance with the deposit and investment provisions of Chapter 12B or Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 14-IV-J Certified Annual Report** - The Certified Annual Report (CAR) was certified timely to the Iowa Department of Education.
- 14-IV-K Categorical Funding** - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 14-IV-L Statewide Sales, Services and Use Tax** - No instances of noncompliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit:

Beginning balance, as restated		\$ 1,750,859
Revenue		
Sales tax revenue	\$ 1,128,655	
Interest	314	
Contributions and donations from private sources	12,974	
Proceeds from the disposal of capital assets	<u>11,450</u>	<u>1,153,393</u>
		2,904,252
 Expenditures/Transfers Out		
School infrastructure construction	\$ 258,312	
Equipment	257,337	
Transfer to Other Funds		
Debt Service Fund	<u>348,000</u>	<u>863,649</u>
Ending Balance		<u>\$ 2,040,603</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.