

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

**FINANCIAL REPORT**

**JUNE 30, 2014**

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SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION AND SCHOOL OFFICIALS

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

INDEPENDENT AUDITOR'S REPORT  
ON THE FINANCIAL STATEMENTS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Winneshiek Community School District as of and for the year ended June 30, 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Opinions

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

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Winneshiek Community School District's basic financial statements. The combining and individual nonmajor fund financial statements, comparative financial information and general fund revenue and expenditure analysis for 2014 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, comparative financial information and general fund revenue and expenditure analysis for 2014 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The spending authority and estimated enrollment is presented for purposes of additional analysis and is not a required part of the basic financial statements. On page 40, the spending authority for fiscal year 2014 has not been audited and we express no opinion on it. On page 41, the estimated enrollment for fiscal year 2015 has not been audited and we express no opinion on it.

We also have previously audited, in accordance with U.S. generally accepted auditing standards, the basic financial statements of South Winneshiek Community School District as of and for the years ending June 30, 2005 through 2013, none of which is presented herein, and we expressed unmodified opinions on those basic financial statements. Those audits were conducted for purposes of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The schedule of revenues and expenditures of the governmental funds, the general fund revenues and expenditures, financial solvency, spending authority and student enrollment for the years 2005 through 2013 are presented for purposes of additional analysis and are 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 2005 through 2013 basic financial statements. The information has been subjected to the auditing procedures applied in the audits of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information set forth in the required supplementary information for the years ending June 30, 2005 through 2013 appearing on pages 36 through 41, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2014, on our consideration of South Winneshiek Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Winneshiek Community School District's internal control over financial reporting and compliance.

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

Decorah, Iowa  
November 21, 2014

SOUTH WINNESHIK COMMUNITY SCHOOL DISTRICT  
CALMAR, IOWA

Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2014

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

FINANCIAL HIGHLIGHTS

In total, governmental net position decreased by \$203,943, which represented a 3.61% decrease from fiscal year 2013. Property taxes increased \$103,354 in the general fund and increased \$15,409 in the management fund. Charge for services decreased \$135,278 and operating grants increased \$66,627 from fiscal year 2013. These numbers reflect the restatement in net position due to fixed assets being identified and depreciation updated.

General fund revenues accounted for \$6,465,836 in revenue or 81.84% of all revenues. General fund expenditures accounted for \$6,972,014 in expenditures or 88.73% of all expenditures.

USING THE BASIC FINANCIAL STATEMENTS

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

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

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

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

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

Other supplementary information provides detailed information about the nonmajor funds.

## REPORTING THE DISTRICT AS A WHOLE

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

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

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

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

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

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

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

## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

### *Fund Financial Statements*

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

### *Governmental Funds*

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

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

*Governmental Funds (Continued)*

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

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

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

*Proprietary Fund*

Services for which the District charges a fee are generally reported in the proprietary fund and is reported in the same way as the District-wide financial statements.

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

**DISTRICT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of financial position. The following is a summary perspective of the statement of net position of the District as a whole. The South Winneshiek Community School District's net position at the end of fiscal year 2014 totaled \$5,541,237.

	Condensed Statement of Net Position (Expressed in Thousands)							
	Governmental Activities		Business-type Activities		Total		Percent Change	
	2014	2013	2014	2013	2014	2013		
Current and other assets	\$ 6,455	\$ 6,233	\$ 83	\$ 62	\$ 6,538	\$ 6,295	3.86%	
Capital assets	3,704	3,578	26	37	3,730	3,615	3.18%	
<b>Total assets</b>	<b>10,159</b>	<b>9,811</b>	<b>109</b>	<b>99</b>	<b>10,268</b>	<b>9,910</b>	<b>3.61%</b>	
Long-term debt outstanding	464	446			464	446	4.04%	
Other liabilities	1,099	1,114	14	12	1,113	1,126	-1.15%	
<b>Total liabilities</b>	<b>1,563</b>	<b>1,560</b>	<b>14</b>	<b>12</b>	<b>1,577</b>	<b>1,572</b>	<b>0.32%</b>	
Deferred inflows of resources								
Succeeding year property tax	2,946	2,787			2,946	2,787	5.71%	
Other	198	169	5		203	169	20.12%	
<b>Total deferred inflows of resources</b>	<b>3,144</b>	<b>2,956</b>	<b>5</b>	<b>-</b>	<b>3,149</b>	<b>2,956</b>	<b>6.53%</b>	
Net position								
Net investment in capital assets	3,641	3,453	26	37	3,667	3,490	5.07%	
Restricted	1,243	715			1,243	715	73.85%	
Unrestricted	568	1,127	64	50	632	1,177	-46.30%	
<b>Total net position</b>	<b>\$ 5,452</b>	<b>\$ 5,295</b>	<b>\$ 90</b>	<b>\$ 87</b>	<b>\$ 5,542</b>	<b>\$ 5,382</b>	<b>2.97%</b>	

**DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)**

The following analysis shows the change in net assets for the years ending June 30, 2014 and 2013:

	Changes in Net Position (Expressed in Thousands)							Percent Change
	Governmental Activities		Business-type Activities		Total			
	2014	2013	2014	2013	2014	2013		
Revenues:								
Program revenue								
Charges for service	\$ 652	\$ 790	\$ 195	\$ 192	\$ 847	\$ 982	-13.75%	
Operating grants	1,349	1,284	145	145	1,494	1,429	4.55%	
General revenue								
Property taxes	2,749	2,603			2,749	2,603	5.61%	
Sales tax and surtax	688	720			688	720	-4.44%	
Unrestricted state grants	2,399	2,528			2,399	2,528	-5.10%	
Unrestricted investment earnings	9	11			9	11	-18.18%	
Other revenue	58	43			58	43	34.88%	
Total revenues	<u>7,904</u>	<u>7,979</u>	<u>340</u>	<u>337</u>	<u>8,244</u>	<u>8,316</u>	<u>-0.87%</u>	
Program expenses:								
Instruction	5,575	5,404			5,575	5,404	3.16%	
Student support	1,981	1,821			1,981	1,821	8.79%	
Other expenses	552	527	337	339	889	866	2.66%	
Total expenses	<u>8,108</u>	<u>7,752</u>	<u>337</u>	<u>339</u>	<u>8,445</u>	<u>8,091</u>	<u>4.38%</u>	
(Decrease) increase in net assets	(204)	227	3	(2)	(201)	225	-189.33%	
Net position Beginning of Year (restated)	<u>5,655</u>	<u>5,068</u>	<u>87</u>	<u>89</u>	<u>5,742</u>	<u>5,157</u>	<u>11.34%</u>	
Net position End of Year	<u>\$ 5,451</u>	<u>\$ 5,295</u>	<u>\$ 90</u>	<u>\$ 87</u>	<u>\$ 5,541</u>	<u>\$ 5,382</u>	<u>2.95%</u>	

**INDIVIDUAL FUND ANALYSIS**

As the District completed the year, its governmental funds reported a combined fund balance of \$2,211,391, a \$47,692 increase from the 2013 fiscal year end balance of \$2,163,699.

- The general fund expenditures increased for instruction by 5.03% and for support services by 4.38%. The ending fund balance of \$1,053,127 showed a decrease of \$502,137 from the prior year balance of \$1,555,264.
- The management levy fund balance increased by \$315,564 for fiscal year 2014.
- The physical plant and equipment levy (PPEL) fund balance decreased \$24,715 during fiscal year 2014. The District increased spending from the PPEL fund to reduce expenditures in the general fund as permitted by law.
- The statewide sales, services and use tax fund balance increased by \$264,663 due to decrease in spending for capital projects that took place during the fiscal year.

**BUDGETARY HIGHLIGHTS**

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

The following chart shows the original and amended budget for fiscal 2014 as well as the actual revenue and expenditures for the year:

Budgetary Comparison Schedule (Expressed in Thousands)					
	Actual Basis	Budget Amounts		Variance	
		Original	Final		
<b>Revenues</b>					
Local sources	\$ 4,346	\$ 4,087	\$ 4,087	\$ 259	
Intermediate sources		3	3	(3)	
State sources	3,399	3,625	3,625	(226)	
Federal sources	495	473	473	22	
<hr/>					
<b>Total revenues</b>	<b>\$ 8,240</b>	<b>\$ 8,188</b>	<b>\$ 8,188</b>	<b>\$ 52</b>	
<hr/>					
<b>Expenditures</b>					
Instruction	\$ 5,259	\$ 5,617	\$ 5,617	\$ 358	
Student support	2,044	2,451	2,526	482	
Non-instructional programs	336	335	335	(1)	
Other expenses	554	580	630	76	
<hr/>					
<b>Total expenditures</b>	<b>\$ 8,193</b>	<b>\$ 8,983</b>	<b>\$ 9,108</b>	<b>\$ 915</b>	
<hr/>					

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

At the end of fiscal year 2014, South Winneshiek Community School District had \$3,704,520 invested in a broad range of capital assets, including buildings, land and equipment for the governmental activities. For the enterprise funds, the District had \$26,283 invested in equipment in the school nutrition fund.

The District had depreciation expense of \$375,745 for fiscal year 2014 and total accumulated depreciation of \$3,416,094 as of June 30, 2014 for the governmental activities. The District had depreciation expense of \$5,536 for fiscal year 2014 and total accumulated depreciation of \$71,852 as of June 30, 2014 for the business-type activities. The restatement in net position is due to the buses/vehicles not being included in American Appraisal report from previous year. More detailed information about the District’s capital assets is presented in Note 3 to the financial statements.

## CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

### *Debt*

At year-end, the District had \$213,617 in debt compared to \$218,274 last year. More detail is presented in Note 5 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt that districts can issue to 5 percent of the assessed value of all taxable property within the District's corporate limits. The District's outstanding general obligation debt is significantly below this \$10,734,548 limit.

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

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

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

- The District's revenue is tied directly to student enrollment. The District's certified enrollment decreased from FY14 564.42 to FY15 559.71 which is a net loss of 4.71 students.
- An early retirement package was offered, staff retirements will assist with keeping the District costs down through reassignment or attrition.
- Due to the state not allowing us to take out a cash reserve levy our tax rate has decreased.
- The allowable growth percentage has not yet been determined. Depending upon what the legislation sets for allowable growth; will determine how much money per pupil we will receive as a District.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments			
Other	\$ 3,017,263	\$ 75,015	\$ 3,092,278
Receivables			
Property tax			
Delinquent	26,436		26,436
Succeeding year	2,946,138		2,946,138
Accounts	181,474		181,474
Due from other governments	282,734		282,734
Inventories		7,796	7,796
Capital assets, non-depreciable	112,096		112,096
Capital assets, net of accumulated depreciation	3,592,424	26,283	3,618,707
Total assets	<u>\$ 10,158,565</u>	<u>\$ 109,094</u>	<u>\$ 10,267,659</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 392,685	\$ 8,612	\$ 401,297
Salaries and benefits payable	705,643	5,086	710,729
Long-term liabilities			
Portion due within one year			
Lease payable	63,402		63,402
Early retirement	63,581		63,581
Portion due after one year			
Early retirement	86,634		86,634
Net OPEB obligation	251,181		251,181
Total liabilities	<u>1,563,126</u>	<u>13,698</u>	<u>1,576,824</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Succeeding year property tax	2,946,138		2,946,138
Other	198,188	5,272	203,460
Total deferred inflows of resources	<u>3,144,326</u>	<u>5,272</u>	<u>3,149,598</u>
<b>NET POSITION</b>			
Net investment in capital assets	3,641,118	26,283	3,667,401
Restricted for			
Capital projects	376,751		376,751
Management levy purposes	522,506		522,506
Physical plant and equipment	196,573		196,573
Student activities	62,434		62,434
Categorical funding	84,486		84,486
Unrestricted	567,245	63,841	631,086
Total net position	<u>5,451,113</u>	<u>90,124</u>	<u>5,541,237</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 10,158,565</u>	<u>\$ 109,094</u>	<u>\$ 10,267,659</u>

See Notes to Financial Statements.

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SOUTH WINNESHEIK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014

Functions and Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants
<b>Governmental activities</b>			
<b>Instruction</b>			
Regular instruction	\$ 3,361,664	\$ 334,426	\$ 924,581
Special instruction	1,130,621	3,280	79,949
Other instruction	1,083,212	20,472	4,904
	<u>5,575,497</u>	<u>358,178</u>	<u>1,009,434</u>
<b>Support services</b>			
Student services	254,478	277,359	
Instructional staff services	199,374		
Administration services	662,012		
Operation and maintenance plant services	508,049		
Transportation services	356,882	8,239	84,546
	<u>1,980,795</u>	<u>285,598</u>	<u>84,546</u>
<b>Non-instructional</b>		<u>8,385</u>	
<b>Other</b>			
Long-term debt interest	2,386		
Facilities acquisition	91,686		
AEA flowthrough	255,511		255,511
Depreciation (unallocated)	202,782		
	<u>552,365</u>	<u>-</u>	<u>255,511</u>
<b>Total governmental activities</b>	<b>8,108,657</b>	<b>652,161</b>	<b>1,349,491</b>
<b>Business-type activities</b>			
<b>Non-instructional programs</b>			
Nutrition services	336,171	194,687	144,910
<b>Total</b>	<b>\$ 8,444,828</b>	<b>\$ 846,848</b>	<b>\$ 1,494,401</b>
<b>General revenues</b>			
<b>Property taxes levied for</b>			
General purposes			
Management			
PPEL			
<b>Statewide sales, services and use tax</b>			
<b>Unrestricted state grants</b>			
<b>Unrestricted investment earnings</b>			
<b>Other</b>			
<b>Total general revenues</b>			
<b>Change in net position</b>			
<b>Net position, beginning of year (restated)</b>			
<b>Net position, end of year</b>			

See Notes to Financial Statements.

EXHIBIT B

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (2,102,657)		\$ (2,102,657)
(1,047,392)		(1,047,392)
(1,057,836)		(1,057,836)
(4,207,885)	\$ -	(4,207,885)
22,881		22,881
(199,374)		(199,374)
(662,012)		(662,012)
(508,049)		(508,049)
(264,097)		(264,097)
(1,610,651)	-	(1,610,651)
8,385		8,385
(2,386)		(2,386)
(91,686)		(91,686)
-		-
(202,782)		(202,782)
(296,854)	-	(296,854)
(6,107,005)	-	(6,107,005)
	3,426	3,426
(6,107,005)	3,426	(6,103,579)
2,236,048		2,236,048
365,511		365,511
115,758		115,758
718,895		718,895
2,399,049		2,399,049
9,427	105	9,532
58,374		58,374
5,903,062	105	5,903,167
(203,943)	3,531	(200,412)
5,655,056	86,593	5,741,649
\$ 5,451,113	\$ 90,124	\$ 5,541,237

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SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	General	Special Revenue Management Levy	Capital Project Physical Plant and Equipment Levy
<b>ASSETS</b>			
Cash and pooled investments			
Other	\$ 2,067,015	\$ 519,581	\$ 92,812
Receivables			
Property tax			
Delinquent	25,135		1,301
Succeeding year	2,195,200	625,000	125,938
Accounts	98,494	4,109	
Due from other funds			102,460
Due from other governments	183,640		99,094
	<u>4,569,484</u>	<u>1,148,690</u>	<u>421,605</u>
Total assets	<u>\$ 4,569,484</u>	<u>\$ 1,148,690</u>	<u>\$ 421,605</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 388,461	\$ 1,184	
Due to other funds	127,959		
Salaries and benefits payable	705,643		
	<u>1,222,063</u>	<u>1,184</u>	<u>\$ -</u>
Total liabilities	<u>1,222,063</u>	<u>1,184</u>	<u>\$ -</u>
Deferred inflows of resources			
Unavailable revenues			
Succeeding year property tax	2,195,200	625,000	125,938
Other	99,094		99,094
	<u>2,294,294</u>	<u>625,000</u>	<u>225,032</u>
Total deferred inflows of resources	<u>2,294,294</u>	<u>625,000</u>	<u>225,032</u>
Fund balances			
Restricted for			
Categorical funding	84,486		
Management levy purposes		522,506	
Student activities			
School infrastructure			
Physical plant and equipment			196,573
Unassigned	968,641		
	<u>1,053,127</u>	<u>522,506</u>	<u>196,573</u>
Total fund balances	<u>1,053,127</u>	<u>522,506</u>	<u>196,573</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,569,484</u>	<u>\$ 1,148,690</u>	<u>\$ 421,605</u>

See Notes to Financial Statements.

EXHIBIT C

<u>Capital Project Statewide Sales, Services and Use Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 275,421	\$ 62,434	\$ 3,017,263
		26,436
		2,946,138
78,871		181,474
25,499		127,959
		282,734
<u>\$ 379,791</u>	<u>\$ 62,434</u>	<u>\$ 6,582,004</u>
\$ 3,040		\$ 392,685
		127,959
		705,643
<u>3,040</u>	<u>\$ -</u>	<u>1,226,287</u>
		2,946,138
		198,188
<u>-</u>	<u>-</u>	<u>3,144,326</u>
		84,486
		522,506
376,751	62,434	62,434
		376,751
		196,573
		968,641
<u>376,751</u>	<u>62,434</u>	<u>2,211,391</u>
<u>\$ 379,791</u>	<u>\$ 62,434</u>	<u>\$ 6,582,004</u>

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

<b>RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET POSITION</b>	
Total governmental fund balances	\$ 2,211,391
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds, net of accumulated depreciation of \$2,475,523	3,704,520
Other liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds	
Lease payable	(63,402)
Early retirement	(150,215)
Net OPEB obligation	(251,181)
	<hr/>
Net position of governmental activities per Exhibit A	<u>\$ 5,451,113</u>

See Notes to Financial Statements.

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SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2014

	General	Special Revenue Management Levy	Capital Project Physical Plant and Equipment Levy
<b>REVENUES</b>			
Local sources			
Local property tax	\$ 2,236,049	\$ 365,511	\$ 115,758
Tuition	292,700		
Other	187,298	3,267	109,495
State sources	3,396,610		65
Federal sources	353,179		
<b>Total revenues</b>	<b>6,465,836</b>	<b>368,778</b>	<b>225,318</b>
<b>EXPENDITURES</b>			
Current			
Instruction			
Regular instruction	3,044,764		
Special instruction	1,130,621		
Other instruction	800,170		
	4,975,555	-	-
Support services			
Student services	192,258		
Instructional staff services	74,962		250,033
Administration services	662,012		
Operation and maintenance plant services	454,834	53,214	
Transportation services	356,882		
	1,740,948	53,214	250,033
Other			
Long-term debt			
Principal			
Interest and fiscal charges			
Facilities acquisition			
AEA flowthrough	255,511		
	255,511	-	-
<b>Total expenditures</b>	<b>6,972,014</b>	<b>53,214</b>	<b>250,033</b>
<b>(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES</b>	<b>(506,178)</b>	<b>315,564</b>	<b>(24,715)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			
Transfers (out)			
Proceeds from sale of assets	4,041		
	4,041	-	-
<b>(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) OVER EXPENDITURES AND FINANCING USES</b>	<b>(502,137)</b>	<b>315,564</b>	<b>(24,715)</b>
FUND BALANCE, beginning of year	1,555,264	206,942	221,288
FUND BALANCE, end of year	<u>\$ 1,053,127</u>	<u>\$ 522,506</u>	<u>\$ 196,573</u>

See Notes to Financial Statements.

EXHIBIT D

Capital Project Statewide Sales, Services and Use Tax	Other Governmental Funds	Total Governmental Funds
		\$ 2,717,318
		292,700
\$ 563,583	\$ 277,359	1,141,002
		3,396,675
		353,179
563,583	277,359	7,900,874
		3,044,764
	283,042	1,130,621
		1,083,212
-	283,042	5,258,597
		192,258
		324,995
		662,012
		508,048
		356,882
-	-	2,044,195
	62,220	62,220
	2,386	2,386
234,314		234,314
		255,511
234,314	64,606	554,431
234,314	347,648	7,857,223
329,269	(70,289)	43,651
	64,606	64,606
(64,606)		(64,606)
		4,041
(64,606)	64,606	4,041
264,663	(5,683)	47,692
112,088	68,117	2,163,699
\$ 376,751	\$ 62,434	\$ 2,211,391

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds	\$	47,692
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation	\$	(375,745)
Capital outlays		142,428
		(233,317)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		
		62,220
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Early retirement	\$	60,687
Net OPEB liability		(22,975)
		37,712
Increases in accruals for early retirement are expenses in the statement of activities but does not affect the governmental fund expenditures		
		(118,250)
Change in net position of governmental activities per Exhibit B	\$	(203,943)

See Notes to Financial Statements.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
June 30, 2014

	<u>School Nutrition Fund</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 75,015
Inventories	7,796
<b>Total current assets</b>	<u>82,811</u>
<b>NONCURRENT ASSETS</b>	
Furniture and equipment	98,135
Less accumulated depreciation	<u>(71,852)</u>
<b>Total noncurrent assets</b>	<u>26,283</u>
<b>Total assets</b>	<u><u>\$ 109,094</u></u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 8,612
Salaries and benefits payable	<u>5,086</u>
<b>Total liabilities</b>	<u>13,698</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unspent hot lunch proceeds	<u>5,272</u>
<b>NET POSITION</b>	
Net investment in capital assets	26,283
Unrestricted	<u>63,841</u>
<b>Total net position</b>	<u>90,124</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u><u>\$ 109,094</u></u>

See Notes to Financial Statements.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
For the Year Ended June 30, 2014

	<u>School Nutrition Fund</u>
<b>OPERATING REVENUES</b>	
Local sources	
Charges for services	\$ 194,687
<b>OPERATING EXPENSES</b>	
Non-instructional programs	
Food service operations	
Salaries and benefits	164,339
Purchased services	154,716
Supplies	6,455
Depreciation	5,536
Loss on sale of assets	5,125
<b>Total operating expenses</b>	<u>336,171</u>
<b>Operating loss</b>	<u>(141,484)</u>
<b>NONOPERATING REVENUES</b>	
Interest on investments	105
State sources	2,808
Federal sources	142,102
<b>Total nonoperating revenues</b>	<u>145,015</u>
<b>Change in net position</b>	3,531
<b>Net position, beginning of year, restated</b>	<u>86,593</u>
<b>Net position, end of year</b>	<u>\$ 90,124</u>

See Notes to Financial Statements.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Year Ended June 30, 2014

	<u>School Nutrition Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from sale of lunches and breakfasts	\$ 194,687
Cash payments to employees for services	(157,460)
Cash payments to vendors for goods and services	(128,598)
Cash payments to suppliers for goods and services	(5,547)
	(96,918)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State and federal grants received	118,432
	118,432
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	105
	105
Net increase in cash	21,619
CASH, beginning of year	53,396
CASH, end of year	\$ 75,015
<b>Reconciliation of operating loss to net cash used in operating activities</b>	
Operating loss	\$ (141,484)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	5,536
Loss on sale of assets	5,125
Commodities used	26,478
Decrease in inventories	908
Decrease in accounts payable	(360)
Increase in deferred inflows	5,272
Increase in salaries and benefits payable	1,607
	(96,918)
Net cash used in operating activities	\$ (96,918)

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

During the year ended June 30, 2014, the District received commodities valued at \$26,478.

See Notes to Financial Statements.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

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

b. Significant Accounting Policies

*Scope of Reporting Entity*

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

*Jointly Governed Organizations*

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

*District-wide Financial Statements*

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

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

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

b. Significant Accounting Policies (Continued)

*Fund Financial Statements*

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

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

*Governmental*

*General Fund*

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

*Management Levy-Special Revenue Fund*

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

*Capital Project Funds*

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

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

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

*Proprietary Fund*

*Enterprise Fund*

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

*Measurement Focus*

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

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

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

b. Significant Accounting Policies (Continued)

*Measurement Focus (Continued)*

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

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

*Basis of Accounting*

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

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

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

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

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

b. Significant Accounting Policies (Continued)

*Basis of Accounting (Continued)*

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

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

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

*Assets, Liabilities, Deferred Inflows of Resources and Equity*

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

*Cash and Investments*

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

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

*Property Tax Receivable*

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

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

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

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities, Deferred Inflows of Resources and Equity (Continued)*

*Due from Other Governments*

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

*Inventories*

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

*Capital Assets*

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

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

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

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

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

*Salaries and Benefits Payable*

Payroll and related expenditures or expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities. Also, wages for hourly employees earned in June and paid in July have been accrued as liabilities. The rate in effect at June 30, 2014 was used to calculate the salaries payable.

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities, Deferred Inflows of Resources and Equity (Continued)*

*Deferred Inflows of Resources*

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

*Long-term Obligation*

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

*Compensated Absences*

District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. In addition, employees are allowed to take early retirement if they meet certain qualifications set by the Board of Education. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014.

*Fund Balance*

In the governmental fund financial statements:

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

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

*Net Position*

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

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

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

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities, Deferred Inflows of Resources and Equity (Continued)*

*Budgets and Budgetary Accounting*

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2014, expenditures in the “non-instructional” function exceeded the amounts budgeted.

*Management Estimates*

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

2. Deposits and Investments

The District's deposits in banks at June 30, 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 investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Services.

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

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NOTES TO FINANCIAL STATEMENTS

3. Capital Assets

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

	Balance June 30, 2013 (Restated)	Additions	Deletions	Balance June 30, 2014
<b>Governmental activities</b>				
Land	\$ 102,262			\$ 102,262
Construction in progress	455,208	\$ 9,834	\$ 455,208	9,834
	<u>\$ 557,470</u>	<u>\$ 9,834</u>	<u>\$ 455,208</u>	<u>\$ 112,096</u>
<b>Capital assets subject to depreciation</b>				
Land improvements	\$ 168,737	\$ 455,208	\$ 13,250	\$ 610,695
Buildings	4,752,794			4,752,794
Furniture and equipment	1,575,195	132,794	62,960	1,645,029
	<u>6,496,726</u>	<u>588,002</u>	<u>76,210</u>	<u>7,008,518</u>
<b>Less accumulated depreciation for:</b>				
Land improvements	66,807	7,774	13,050	61,531
Buildings	2,076,355	165,189		2,241,544
Furniture and equipment	973,197	202,782	62,960	1,113,019
	<u>3,116,359</u>	<u>375,745</u>	<u>76,010</u>	<u>3,416,094</u>
<b>Governmental activities</b>				
Capital assets	<u>\$ 3,380,367</u>	<u>\$ 212,257</u>	<u>\$ 200</u>	<u>\$ 3,592,424</u>
<b>Business-type activities</b>				
Furniture and equipment	\$ 104,820		\$ 6,685	\$ 98,135
Less accumulated depreciation	67,876	\$ 5,536	1,560	71,852
	<u>\$ 36,944</u>	<u>\$ (5,536)</u>	<u>\$ 5,125</u>	<u>\$ 26,283</u>

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

<b>Governmental activities</b>	
Transportation	\$ 202,782
Unallocated depreciation	<u>172,963</u>
<b>Total governmental activities</b>	<u>\$ 375,745</u>
<b>Business-type activities</b>	
Food services	<u>\$ 5,536</u>

NOTES TO FINANCIAL STATEMENTS

4. Due from Other Governments

Due from other governments consist of the following at June 30, 2014:

Governmental		
General fund		
Transportation aid, non-public	\$	84,546
Income surtax		99,094
		183,640
PPEL		
Income surtax		99,094
Total intergovernmental	\$	282,734

5. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year
Governmental activities					
Bonds					
General obligation	\$ None		\$ None	\$ None	\$ None
Other liabilities					
Lease payable	125,622	\$ None	62,220	63,402	63,402
Early retirement	92,652	118,250	60,687	150,215	63,581
Governmental activities					
Long-term liabilities	\$ 218,274	\$ 118,250	\$ 122,907	\$ 213,617	\$ 126,983

a. Early Retirement

During FY2014, the District offered a voluntary early retirement plan to its employees. There were four employees that accepted. For the most recent plan employees qualifying for the District's early retirement must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement was subject to approval by the Board of Education and no more than five employees per year were granted benefits under the policy.

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

At June 30, 2014, the District has obligations to eight participants with a total liability of \$150,215. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$60,687.

NOTES TO FINANCIAL STATEMENTS

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

b. **Bonded Indebtedness**

There were no interest costs incurred and charged to expenses for the year ended June 30, 2014.

At June 30, 2014, the debt issued by the District did not exceed its legal debt margin compiled as follows:

Total assessed valuation	\$ 214,690,964
Debt limit – 5% of total assessed valuation	\$ 10,734,548
Debt applicable to debt limit	
Capital leases	(63,402)
Legal debt margin	\$ 10,671,146

c. **Capital Leases**

The District has leased several computers under capital leases. The following is a schedule of future minimum lease payments under the capital leases, together with the net present value of the minimum lease payments as of June 30, 2014.

	Amount
Year ending June 30, 2015	\$ 63,402

6. **Interfund Transfers**

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

	Transfers In	Transfers Out
Capital project fund		
Statewide sales, services and use tax		\$ 64,606
Debt service fund	\$ 64,606	
Total	\$ 64,606	\$ 64,606

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

7. **Pension and Retirement Benefits**

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

Plan members are required to contribute 5.95%, 5.78%, and 5.38%, of their annual covered salary and the District is required to contribute 8.93%, 8.67%, and 8.07% of annual covered salary for the years ended June 30, 2014, 2013, and 2012, respectively. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$342,634, \$311,160, and \$284,808, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

8. Other Postemployment Benefits (OPEB)

*Plan Description*

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

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

*Funding Policy*

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

*Annual OPEB Cost and Net OPEB Obligation*

The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding 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 June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	67,679
Interest on net OPEB obligation		5,705
Adjustment to annual required contribution		(25,605)
Annual OPEB cost		47,779
Contributions made		(24,804)
Increase in net OPEB obligation		22,975
Net OPEB obligation beginning of year		228,206
Net OPEB obligation end of year	\$	251,181

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

For the year ended June 30, 2014, the District contributed \$24,804 to the medical plan for the OPEB obligation. Plan members eligible for benefits contributed none of the premium costs for the OPEB obligation.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized below as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 36,973	17.91%	\$ 168,369
June 30, 2013	82,308	27.30%	228,206
June 30, 2014	47,779	51.91%	251,181

8. Other Postemployment Benefits (OPEB) (Continued)

*Funded Status and Funding Progress*

As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$343,036, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$343,036. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3.318 million, and the ratio of the UAAL to covered payroll was 10.34%. As of June 30, 2014, there were no trust fund assets.

*Actuarial Methods and Assumptions*

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the notes to financial statements, 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 provide at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

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

Projected claim costs of the medical plan are \$559 to \$762, depending on the type of coverage, per month for retirees less than age 65 and the plan coverage terminates upon reaching Medicare eligibility (age 65). The salary increase rate was assumed to be 0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

9. Employee Insurance Plan

Monthly payments of service fees and plan contributions are recorded as expenditures in the general fund at the time of payment to the Northeast Iowa Schools Insurance Trust (trust) maintained by Midwest Group Benefits Consultants, Inc. The trust's Board of Directors decided to terminate the self-funded health plans, effective July 1, 2009, and change to partially self-funded plans using fully insured health plans through Wellmark Blue Cross/Blue Shield. There were three new plans offered to the schools. The trust assumes liability for claims on its three plans as follows:

- Plan 1-between \$500 and \$5,000 for single coverage and \$1,000 and \$10,000 for family coverage,
- Plan 2-between \$1,000 and \$5,000 for single coverage and \$2,000 and \$10,000 for family coverage,
- Plan 3-between \$2,000 and \$5,000 for single coverage and \$4,000 and \$10,000 for family coverage.

NOTES TO FINANCIAL STATEMENTS

9. Employee Insurance Plan (Continued)

All plans include coinsurance and plan 2 includes copayments. Claims in excess of the deductible are insured through the purchase of insurance. The District may be contingently liable for any claims in excess of funds available at June 30, 2014, since the pool arrangement allows the trust to make additional assessments to members. The District's share of the trust's liability for any unreported claim or assessment at June 30, 2014 was unavailable as of November 21, 2014. The District contributions to the trust for the years ended June 30, 2014, 2013, and 2012 were \$656,743, \$673,476, and \$601,519, respectively, which equaled the required contributions each year.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the District's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance company coverage.

10. Risk Management

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

11. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$255,511 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. Cafeteria Plan

The District sponsors a Section 125 cafeteria plan as a part of its contractual obligation with its employees. Each participating employee must carry single health coverage. Additionally, participants may elect salary reduction to cover family health insurance, non-covered medical and dental expenses and day care. There were 73 participants in the plan for the plan year ended December 31, 2013.

13. Categorical Funding

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

Program	Amount
Four-year-old Preschool State Aid	\$ 60,106
Textbook Aid	712
Child Development	5,345
Successful Progression for Early Readers	1,478
Professional Development for Model Core Curriculum	947
Professional Development	8,771
Teacher Leadership	7,127
	\$ 84,486

NOTES TO FINANCIAL STATEMENTS

14. Contingencies

a. Grant Funding

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2014, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

b. Insurance Plan

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

15. Commitments

The total outstanding construction and purchase commitments of the District at June 30, 2014 amount to \$133,109 and commitments to be reimbursed is \$None.

16. Leases

The District has agreed to lease printers from Marco, Inc. for 5 years starting July 1, 2014. Future minimum lease payments under the lease are as follows:

Year ending June 30,		
2015	\$	22,025
2016		22,025
2017		22,025
2018		22,025
2019		22,025
		<hr/>
	\$	110,125

17. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued one statement not yet implemented by the District. The statement which might impact the District is as follows:

GASB Statement 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, issued June 2012, will be effective for the fiscal year ended June 30, 2015. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions which are provided by other entities. In addition, the statement of net position is expected to include a significant liability for the government’s proportionate share of the employee pension plan.

The District’s management has not yet determined the effect this statement will have on the District’s financial statements.

18. Accounting Change

GASB Statement 65, *Items Previously Classified as Assets and Liabilities*; and No. 66 *Technical Corrections – 2012, an amendment of GASB Statements 10 and 62*, were implemented during fiscal year 2014.

19. Restatement

Beginning net position was restated in the governmental funds, due to correction of recording capital assets of equipment, by an increase of \$359,477 from the prior year.

20. Subsequent Events

Management has evaluated subsequent events through November 21, 2014, the date on which the financial statements were available to be issued.

**Required Supplementary Information**

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE OF  
REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND  
For the Year Ended June 30, 2014

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual
<b>REVENUES</b>			
Local sources	\$ 4,151,020	\$ 194,792	\$ 4,345,812
Intermediate sources			
State sources	3,396,675	2,808	3,399,483
Federal sources	353,179	142,102	495,281
<b>Total revenues</b>	<b>7,900,874</b>	<b>339,702</b>	<b>8,240,576</b>
<b>EXPENDITURES/EXPENSES</b>			
Instruction	5,258,597		5,258,597
Support services	2,044,195		2,044,195
Non-instructional		336,171	336,171
Other	554,431		554,431
<b>Total expenditures/expenses</b>	<b>7,857,223</b>	<b>336,171</b>	<b>8,193,394</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES</b>	<b>43,651</b>	<b>3,531</b>	<b>47,182</b>
<b>OTHER FINANCING SOURCES, NET</b>	<b>4,041</b>	<b>-</b>	<b>4,041</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES/EXPENSES AND OTHER FINANCING USES</b>	<b>47,692</b>	<b>3,531</b>	<b>51,223</b>
<b>FUND BALANCE, beginning of year</b>	<b>2,163,699</b>	<b>86,593</b>	<b>2,250,292</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 2,211,391</b>	<b>\$ 90,124</b>	<b>\$ 2,301,515</b>

See Notes to Required Supplementary Information.

Budget Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 4,086,295	\$ 4,086,295	\$ 259,517
3,195	3,195	(3,195)
3,625,314	3,625,314	(225,831)
473,153	473,153	22,128
8,187,957	8,187,957	52,619
5,616,520	5,616,520	357,923
2,451,106	2,526,106	481,911
335,000	335,000	(1,171)
580,399	630,399	75,968
8,983,025	9,108,025	914,631
(795,068)	(920,068)	967,250
-	-	4,041
(795,068)	(920,068)	971,291
1,874,346	1,874,346	375,946
\$ 1,079,278	\$ 954,278	\$ 1,347,237

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2014

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on 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, non-instructional programs, and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the general fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$125,000.

During the year ended June 30, 2014, expenditures in the non-instructional function exceeded the amounts budgeted.

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

Fiscal Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 439	\$ 439	0.0%	\$ 3,192	13.75%
2010	July 1, 2008	-	\$ 449	\$ 449	0.0%	\$ 2,948	15.23%
2011	July 1, 2010	-	\$ 369	\$ 369	0.0%	\$ 2,839	13.00%
2012	July 1, 2010	-	\$ 369	\$ 369	0.0%	\$ 3,043	12.13%
2013	July 1, 2012	-	\$ 368	\$ 368	0.0%	\$ 3,049	12.07%
2014	July 1, 2012	-	\$ 343	\$ 343	0.0%	\$ 3,318	10.34%

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

**Other Supplementary Information**

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2014

	Special Revenue Student Activity	Debt Service	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and pooled investments	\$ 62,434		\$ 62,434
<b>Total assets</b>	<b>\$ 62,434</b>	<b>\$ -</b>	<b>\$ 62,434</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balances</b>			
Restricted for			
Student activities	62,434		62,434
<b>Total fund balances</b>	<b>62,434</b>	<b>-</b>	<b>62,434</b>
<b>Total liabilities and fund balances</b>	<b>\$ 62,434</b>	<b>\$ -</b>	<b>\$ 62,434</b>

See Independent Auditor's Report.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2014

	Special Revenue Student Activity	Debt Service	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Local sources			
Other	\$ 277,359		\$ 277,359
Total revenues	277,359	\$ -	277,359
<b>EXPENDITURES</b>			
Current			
Instruction			
Other instruction	283,042		283,042
Other			
Long-term debt			
Principal		62,220	62,220
Interest and fiscal charges		2,386	2,386
Total expenditures	283,042	64,606	347,648
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(5,683)	(64,606)	(70,289)
<b>OTHER FINANCING SOURCES</b>			
Transfers in		64,606	64,606
(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES	(5,683)	-	(5,683)
FUND BALANCE, beginning of year	68,117		68,117
FUND BALANCE, end of year	\$ 62,434	\$ -	\$ 62,434

See Independent Auditor's Report.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
For the Year Ended June 30, 2014

	Balance June 30, 2013	Revenues	Expenditures	Adjustments	Balance June 30, 2014
Spanish Club	\$ 112				\$ 112
HS Trips	1,018	\$ 80,807	\$ 81,470		355
Music, EI/MS	-	350			350
Music, Senior High	-		412	\$ 412	-
National Honor Society	-	13	131	123	5
All Athletic	1,345	7,190	7,542		993
Football	5,072	26,448	19,330	(9,149)	3,041
Cross Country	-	2,695	3,734	1,039	-
Volleyball	5,129	8,153	11,725	(1,412)	145
Boys' Basketball	657	5,182	5,311	(528)	-
Girls' Basketball	1,670	2,828	5,063	565	-
Wrestling	-	4,225	7,022	2,797	-
Boys' Track	-	169	3,982	3,813	-
Girls' Track	-	5,984	5,984		-
Boys' Golf	132	424	1,442	1,202	316
Girls' Golf	-	604	1,804	1,200	-
Baseball	150	5,077	6,590	2,123	760
Softball	449	3,075	8,485	5,525	564
Cheerleaders, Senior High	5,086	4,502	7,051	(338)	2,199
All Fine Arts	-	87	194	107	-
Art Senior High	38	128			166
Student Council, Middle School	240			721	961
Student Council, Senior High	1,694	1,653	742	(75)	2,530
Yearbook	6,960	18,136	6,559		18,537
Band, Senior High	-	6,014	4,657		1,357
Flag Corp.	403	310	534		179
Choir, Senior High	-	129	1,168	1,039	-
Drama/Musical	1,671	9,587	6,089	(2,930)	2,239
Speech Activity and Debate	-		1,372	1,372	-
Drama Club	1,528				1,528
Activity Fee	1,647	3,990		(5,637)	-
Interest	151	139			290
<b>Sub-totals</b>	<b>35,152</b>	<b>197,899</b>	<b>198,393</b>	<b>1,969</b>	<b>36,627</b>

See Independent Auditor's Report.

SOUTH WINNESHEIK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
For the Year Ended June 30, 2014

	Balance June 30, 2013	Revenues	Expenditures	Adjustments	Balance June 30, 2014
Sub-totals	\$ 35,152	\$ 197,899	\$ 198,393	\$ 1,969	\$ 36,627
Field Trips-Elem/MS	1,111	12,018	9,731		3,398
Food and Fitness	3,738	150	2,468		1,420
National Honor Society - CD	4,160				4,160
Field Trips-HS	1,801	173	169		1,805
Supt. AEA Fund	722		722		-
SW/TV Meetings	700	250	950		-
Elementary	10,290	7,955	13,369	(382)	4,494
Class of 2017	120	528	593		55
Class of 2016	116	2,065	537		1,644
Class of 2015	2,100	7,422	9,080	(15)	427
Class of 2014	916	2,789	3,662	(43)	-
Class of 2013	(98)	104		(6)	-
Pictures, Senior High	-	168		(125)	43
Resale	159	4,428	4,712	125	-
Middle School Activity	-	4,291	3,959	(332)	-
SODA	828	2,367	1,126		2,069
FFA	5,102	34,752	33,491	(71)	6,292
Industrial Arts	1,200			(1,200)	-
	<u>\$ 68,117</u>	<u>\$ 277,359</u>	<u>\$ 282,962</u>	<u>\$ (80)</u>	<u>\$ 62,434</u>

See Independent Auditor's Report.

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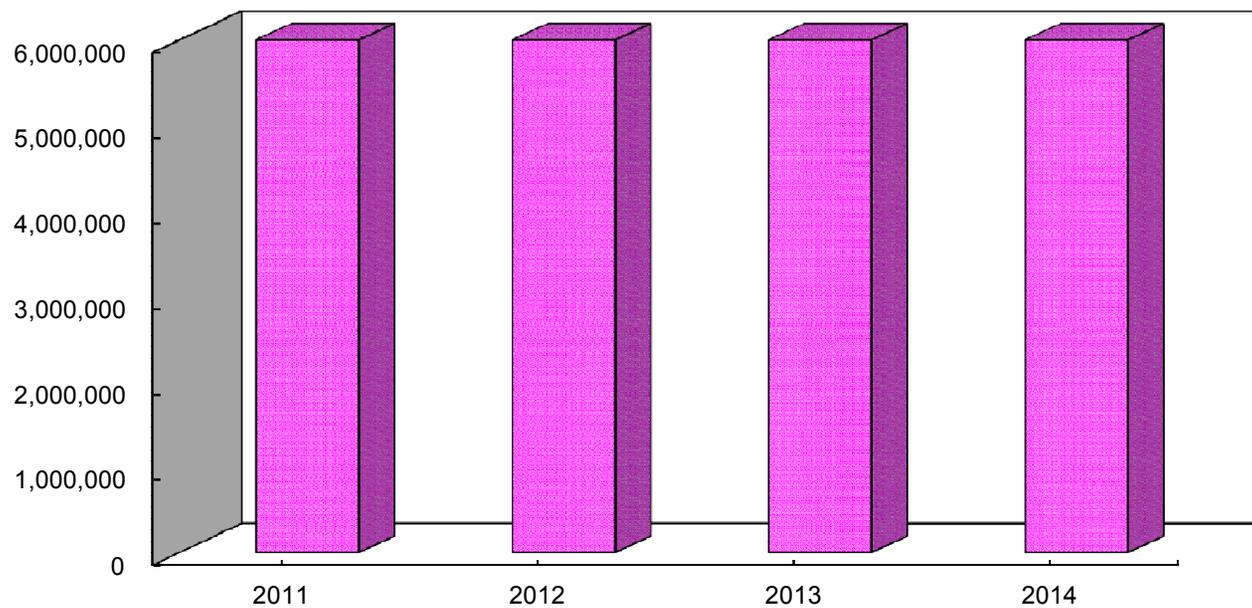
SOUTH WINNESHEIK COMMUNITY SCHOOL DISTRICT  
 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
 GOVERNMENTAL FUNDS  
 For the Years Ended June 30,

	Modified Accrual			
	2014	2013	2012	2011
<b>REVENUES</b>				
Local sources				
Local tax	\$ 2,717,318	\$ 2,603,482	\$ 2,884,018	\$ 2,733,055
Tuition	292,700	262,795	226,614	231,693
Other	1,141,002	1,301,247	1,286,069	1,115,461
State sources	3,396,675	3,467,383	3,409,559	3,257,030
Federal sources	353,179	344,496	445,871	331,966
<b>Total revenues</b>	<b>\$ 7,900,874</b>	<b>\$ 7,979,403</b>	<b>\$ 8,252,131</b>	<b>\$ 7,669,205</b>
<b>EXPENDITURES</b>				
Current				
Instruction				
Regular instruction	\$ 3,044,764	\$ 2,872,872	\$ 2,983,938	\$ 2,825,428
Special instruction	1,130,621	1,148,927	969,065	816,684
Other instruction	1,083,212	1,236,696	965,554	976,074
Support services				
Student services	192,258	177,104	175,782	178,987
Instructional staff services	324,995	302,643	227,750	103,415
Administration services	662,012	633,518	587,736	583,037
Maintenance plant services	508,048	514,120	421,226	457,009
Transportation services	356,882	380,236	351,298	344,487
Non-instructional			1,264	1,364
Other				
Long-term debt				
Principal	62,220	61,059	63,379	
Interest and fiscal charges	2,386	3,547	1,227	
Facilities acquisition	234,314	740,730	510,763	774,791
AEA flowthrough	255,511	249,144	246,788	278,181
<b>Total expenditures</b>	<b>\$ 7,857,223</b>	<b>\$ 8,320,596</b>	<b>\$ 7,505,770</b>	<b>\$ 7,339,457</b>

See Independent Auditor's Report.

Modified Accrual					
2010	2009	2008	2007	2006	2005
\$ 2,583,190	\$ 2,410,317	\$ 2,229,013	\$ 2,117,458	\$ 2,261,697	\$ 2,165,155
141,557	87,995	87,176	49,310	85,372	86,313
1,100,917	1,116,511	1,068,364	1,103,752	862,243	935,610
2,922,810	3,283,104	3,376,138	3,056,643	2,819,326	3,018,187
581,779	191,449	215,061	190,094	193,575	207,209
<u>\$ 7,330,253</u>	<u>\$ 7,089,376</u>	<u>\$ 6,975,752</u>	<u>\$ 6,517,257</u>	<u>\$ 6,222,213</u>	<u>\$ 6,412,474</u>
\$ 2,740,582	\$ 2,640,003	\$ 2,537,480	\$ 2,379,497	\$ 2,318,095	\$ 2,380,779
766,563	865,792	798,829	805,116	857,911	925,177
965,005	795,982	770,761	664,674	690,308	624,249
177,303	176,708	166,189	160,697	159,134	193,362
159,720	220,428	341,471	200,166	273,605	128,768
593,083	608,015	586,557	554,575	537,257	478,798
412,085	431,908	435,931	403,553	410,736	333,633
439,660	366,832	452,454	436,533	393,980	295,955
1,464	351	1,440	1,336	1,326	4,179
225,000	210,000	200,000	190,000	180,000	175,400
12,100	22,810	32,810	42,215	50,945	59,032
646,322	385,725	138,102	405,870	468,535	620,297
275,156	256,218	252,758	237,024	228,195	227,868
<u>\$ 7,414,043</u>	<u>\$ 6,980,772</u>	<u>\$ 6,714,782</u>	<u>\$ 6,481,256</u>	<u>\$ 6,570,027</u>	<u>\$ 6,447,497</u>

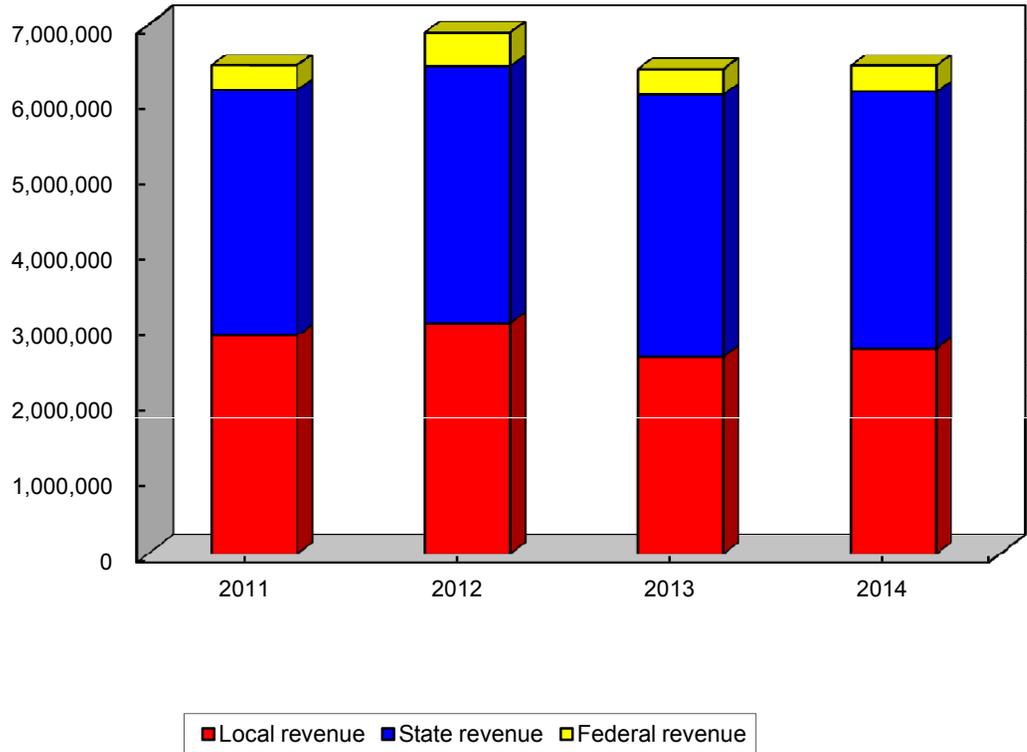
SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
Comparison of General Fund Expenditures



Totals By Year

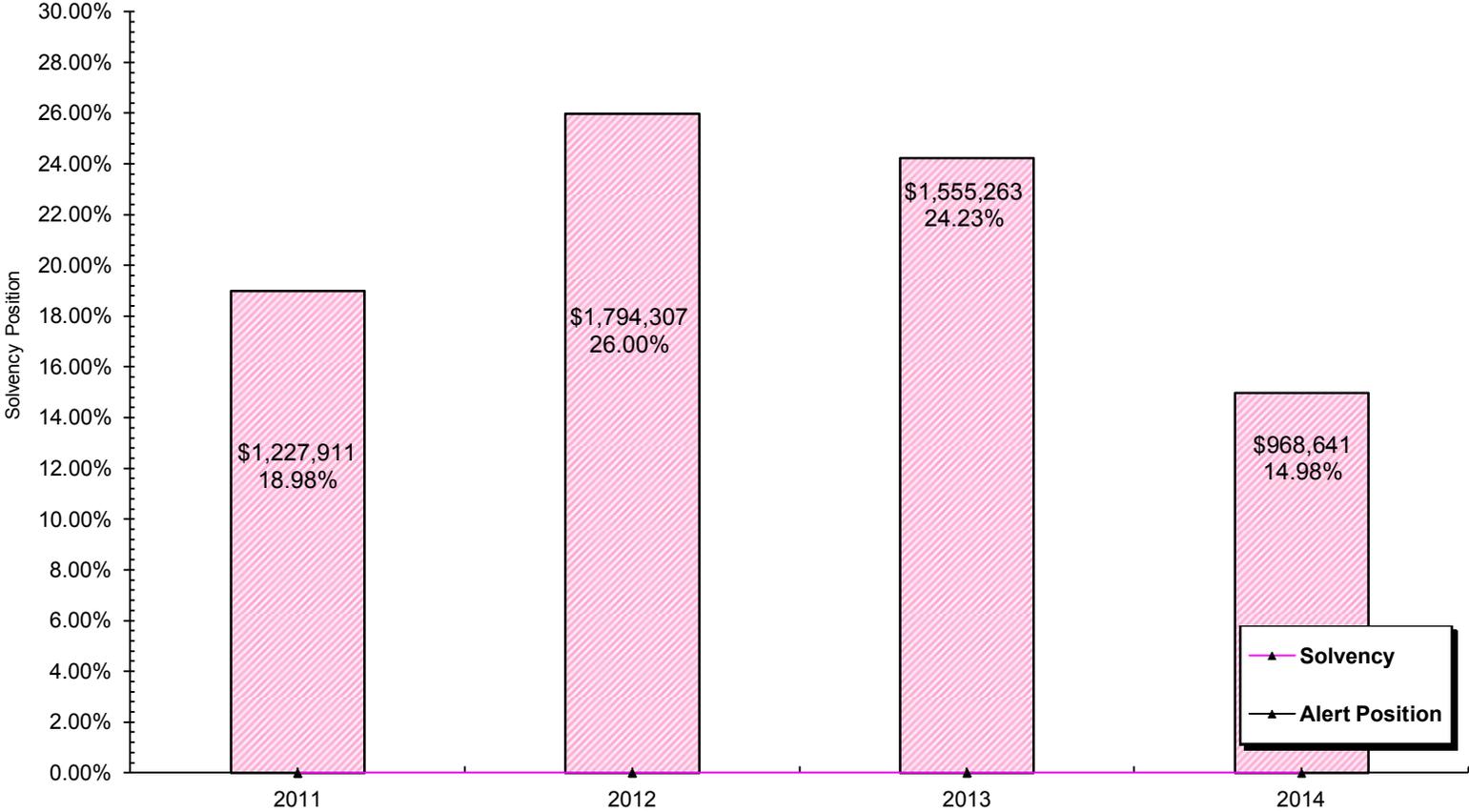
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SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
Comparison of General Fund Revenues



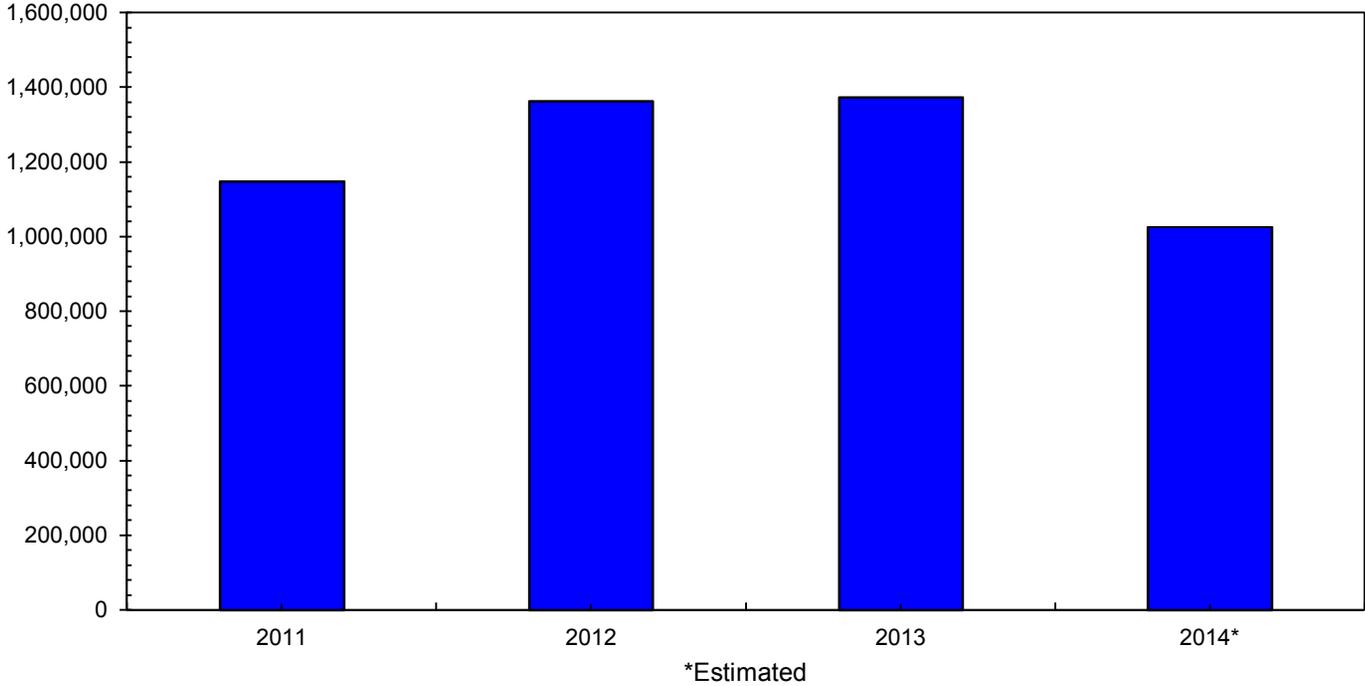
See Independent Auditor's Report.

South Winneshiek Community School District  
General Fund Solvency Ratio



See Independent Auditor's Report.

South Winneshiek Community School District  
Spending Authority



See Independent Auditor's Report.

South Winneshiek Community School District  
Student Enrollment Data

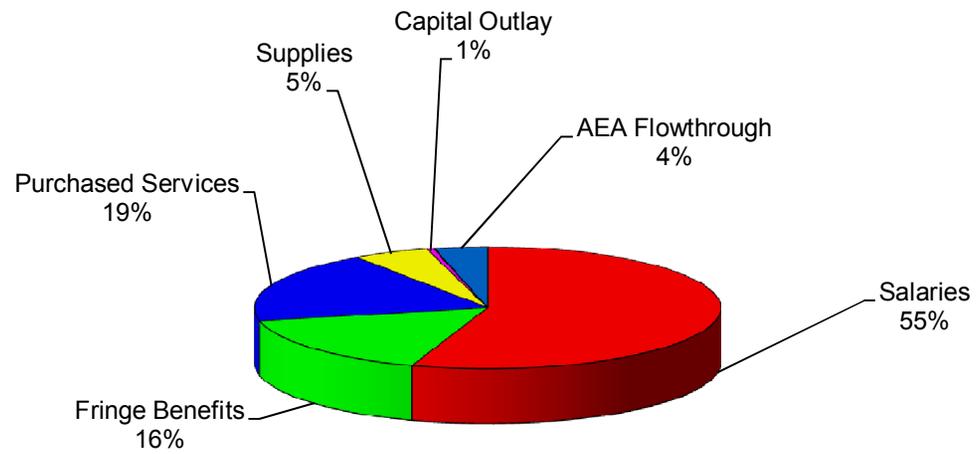


Resource: Total School Enrollment, Not Certified Enrollment, Line 11 of Certified Enrollment Form

\*Estimated, has not been audited

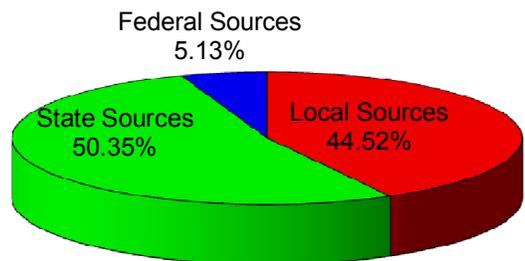
See Independent Auditor's Report.

**SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT  
General Fund Expenditure Analysis Year Ended June 30, 2014**



See Independent Auditor's Report.

**SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT**  
General Fund Revenue Analysis Year Ended June 30, 2014



See Independent Auditor's Report.

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

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

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Winneshiek Community School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise South Winneshiek Community School District's basic financial statements and have issued our report thereon dated November 21, 2014.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, as described below that we consider to be significant deficiencies.

### Overlapping Duties

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

### Criteria

A properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

### Recommendation

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

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

### Response and Corrective Action Planned

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

### Conclusion

Response acknowledged.

### Compliance and Other Matters

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

### South Winneshiek Community School District's Response to Finding

South Winneshiek Community School District's response to the finding identified in our audit is described above. South Winneshiek Community School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

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

## MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of South Winneshiek Community School District for the year ended June 30, 2014, we considered the District's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the District's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 12 below are compliance comments required by the Iowa Auditor of State. A separate report dated November 21, 2014 contains our report on the District's internal control over financial reporting. This letter does not affect our report dated November 21, 2014, on the financial statements of the South Winneshiek Community School District. Comment 1 is a repeat comment from the prior year. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the District's responses and, accordingly, we express no opinion on them.

1. Certified Budget

Expenditures for the year ended June 30, 2014 exceeded the certified budget amount in the non-instructional function.

Recommendation

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

Response and Corrective Action Planned

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

Conclusion

Response accepted.

2. Questionable Expenditures

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

3. Travel Expense

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

4. Business Transactions

We noted no business transactions between the District and District officials and/or employees for the year ended June 30, 2014.

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

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

Beginning balance		\$	112,088
Statewide sales, services and use tax			563,583
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$	234,314	
Debt service for school infrastructure:			
General obligation debt		64,606	298,920
Ending balance		\$	<u>376,751</u>

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

13. Payroll  
During our audit, we noted hours for hourly employees are not being approved by the supervisor before payroll is processed each pay-period.

Recommendation

All hours worked should be approved by supervisor before employees are paid each pay period.

Response and Correction Action Planned

Controls have been discussed and we will have supervisors approve hours.

Conclusion

Response accepted.

14. Sales Tax  
During our audit, we noted sales tax was being paid for items that were purchased online with the District's credit cards.

Recommendation

We recommend no sales tax be paid for online purchases. Accounts need to be set up before purchases are made with vendors with the proper tax exempt ID number given or file for tax refunds.

Response and Correction Action Planned

It is not always possible to claim tax exemption for online purchases. We will file a claim for refunds.

Conclusion

Response accepted.

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

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

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

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

Decorah, Iowa  
November 21, 2014