

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

FINANCIAL REPORT

JUNE 30, 2015

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SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION AND SCHOOL OFFICIALS

Name	Title	Address	Term Expires
<u>Board of Education</u> (Before September 2015 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

School Officials

Clark Goltz – 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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 17 to the financial statements, South Winneshiek Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, the budgetary comparison information, the schedule of the district's proportionate share of the net pension liability, the schedule of the district contributions, and the schedule of funding progress for the retiree health plan on pages 5 through 5e and pages 34 through 39 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 June 30, 2015 basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information shown on Schedules 1 through 4 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2015, on our consideration of South Winneshiek Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Winneshiek Community School District's internal control over financial reporting and compliance.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
December 28, 2015

SOUTH WINNESHIK COMMUNITY SCHOOL DISTRICT
CALMAR, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2015

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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

FINANCIAL HIGHLIGHTS

In total, for government-wide financial statements, governmental net position increased by \$80,836, which represented a 3.01% increase from fiscal year 2014. Property taxes decreased \$39,576 in the general fund and increased \$260,110 in the management levy fund. Charges for services increased \$179,411 and operating grants increased \$24,383 from fiscal year 2014. These numbers reflect the effects on the financial statements due to GASB 68 pension implementation.

For fund basis accounting, general fund revenues accounted for \$6,341,726 in revenue or 76% of all revenues. General fund expenditures accounted for \$6,967,695 in expenditures or 83.24% of all expenditures.

USING THE BASIC FINANCIAL STATEMENTS

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

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

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

Other supplementary information provides detailed information about the nonmajor funds.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The government-wide financial statements report information about the District as a whole using accounting methods similar to the accounting used by most private-sector companies. The statement of net position includes all of the District's assets, 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.

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

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 government-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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The following is a summary perspective of the statement of net position of the District as a whole. The South Winneshiek Community School District's net position at the end of fiscal year 2015 totaled \$2,847,969.

	Condensed Statement of Net Position (Expressed in Thousands)					
	Governmental Activities		Business-type Activities		Total	
	2015	2014*	2015	2014*	2015	2014*
Current and other assets	\$ 6,460	\$ 6,455	\$ 92	\$ 83	\$ 6,552	\$ 6,538
Capital assets	3,747	3,704	29	26	3,776	3,730
Total assets	10,207	10,159	121	109	10,328	10,268
Deferred outflows of resources						
Pension related deferred outflows	559	-	17	-	576	-
Current liabilities	1,075	1,225	6	14	1,081	1,239
Noncurrent liabilities	2,784	338	35	-	2,819	338
Total liabilities	3,859	1,563	41	14	3,900	1,577
Deferred inflows of resources						
Succeeding year property tax	3,043	2,946			3,043	2,946
Pension	875		14		889	-
Other	218	198	6	5	224	203
Total deferred inflows of resources	4,136	3,144	20	5	4,156	3,149
Net position						
Net investment in capital assets	3,690	3,641	29	26	3,719	3,667
Restricted	1,871	1,243			1,871	1,243
Unrestricted (deficit)	(2,790)	568	48	64	(2,742)	632
Total net position	\$ 2,771	\$ 5,452	\$ 77	\$ 90	\$ 2,848	\$ 5,542

* Not restated

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District's total net position decreased 48.61%, or approximately \$2,694,000 from the prior year. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded as a restatement. The largest portion of the District's net position is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position increased approximately \$628,000, or 50.52%, over the prior year. The increase was primarily a result of increased revenues in the statewide sales, services and use tax-capital project fund to be used for facilities acquisitions.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business-type activities were restated by decreasing \$2,760,873 and \$37,812, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense, which is more reflective of the amounts employees earned during the year.

The following analysis shows the change in net position for the years ending June 30, 2015 and 2014 as shown below.

	Changes in Net Position (Expressed in Thousands)					
	Governmental Activities		Business-type Activities		Total	
	2015	2014*	2015	2014*	2015	2014*
Revenues:						
Program revenue						
Charges for service	\$ 830	\$ 652	\$ 197	\$ 195	\$ 1,027	\$ 847
Operating grants	1,382	1,349	137	145	1,519	1,494
General revenue						
Property taxes	2,918	2,749			2,918	2,749
Sales tax and surtax	781	688			781	688
Unrestricted state grants	2,404	2,400			2,404	2,400
Unrestricted investment earnings	8	9			8	9
Other revenue	45	58			45	58
Total revenues	<u>8,368</u>	<u>7,905</u>	<u>334</u>	<u>340</u>	<u>8,702</u>	<u>8,245</u>
Program expenses:						
Instruction	5,575	5,575			5,575	5,575
Support services	2,174	1,981			2,174	1,981
Other expenses	538	552	309	337	847	889
Total expenses	<u>8,287</u>	<u>8,108</u>	<u>309</u>	<u>337</u>	<u>8,596</u>	<u>8,445</u>
Increase (decrease) in net position	81	(203)	25	3	106	(200)
Net position Beginning of Year (restated)	<u>2,690</u>	<u>5,655</u>	<u>52</u>	<u>87</u>	<u>2,742</u>	<u>5,742</u>
Net position End of Year	<u>\$ 2,771</u>	<u>\$ 5,452</u>	<u>\$ 77</u>	<u>\$ 90</u>	<u>\$ 2,848</u>	<u>\$ 5,542</u>

* Not restated

INDIVIDUAL FUND ANALYSIS

As the District completed the year, its governmental funds reported a combined fund balance of \$2,207,818, a \$3,573 decrease from the 2014 fiscal year end balance of \$2,211,391.

The ending fund balance in the general fund of \$445,606 showed a decrease of \$607,521 from the prior year balance of \$1,053,127. This decrease is due to local revenue decreases of property taxes and the fact that the expenditures continue to be higher than the revenues in the general fund.

The management levy fund balance increased by \$480,606 for fiscal year 2015, due to local property tax revenues increasing.

The physical plant and equipment levy (PEEL) fund balance decreased \$95,674 during fiscal year 2015. The expenditures increased due to various building projects and equipment purchases. The District increased spending from the PEEL fund to reduce expenditures in the general fund as permitted by law.

The statewide sales, services and use tax fund balance increased by \$212,304, due to receiving more revenue through local option sales tax.

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 2015 as well as the actual revenue and expenditures for the year:

		Budgetary Comparison Schedule (Expressed in Thousands)			
		Actual	Budget Amounts		
		Basis	Original	Final	Variance
Revenues					
Local sources	\$	4,818	\$ 4,694	\$ 4,694	\$ 124
State sources		3,393	3,530	3,530	(137)
Federal sources		471	501	501	(30)
<hr/>					
Total revenues	\$	8,682	\$ 8,725	\$ 8,725	\$ (43)
<hr/>					
Expenditures					
Instruction	\$	5,414	\$ 5,582	\$ 5,582	\$ 168
Support services		2,276	2,356	2,556	280
Non-instructional programs		309	311	361	52
Other expenses		680	547	647	(33)
<hr/>					
Total expenditures	\$	8,679	\$ 8,796	\$ 9,146	\$ 467
<hr/>					

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, South Winneshiek Community School District had \$3,746,412 invested in a broad range of capital assets, including buildings, land and equipment for the governmental activities. For the enterprise funds, the District had \$29,106 invested in equipment in the school nutrition fund.

The District had depreciation expense of \$311,452 for fiscal year 2015 and total accumulated depreciation of \$3,687,546 as of June 30, 2015 for the governmental activities. The District had depreciation expense of \$6,525 for fiscal year 2015 and total accumulated depreciation of \$78,377 as of June 30, 2015 for the business-type activities. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt

At year-end, the District had \$291,792 in debt compared to \$213,617 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 \$11,594,094 limit.

Other obligations include early retirement. 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 FY15 559.71 to FY16 546.02; a decrease of 13.69 students.
- An early retirement package was offered, staff retirements will assist with keeping the District costs down through reassignment or attrition.
- The allowable growth percentage was determined after FY16 budget was completed.
- There is currently no funding source for summer school for FY16. This had been previously covered by HAWC. In 2017 summer school will be mandated and expenses will be from the general budget; it is unclear what the impact will be at this time.
- For the 2016-2017 school year, Kris Einck has accepted the position of Superintendent/High School Principal/Athletic Director. The shared position of Superintendent with the Turkey Valley CSD will be ending June 30, 2016. The School District will be looking to fill the position of the elementary/middle school principal position.

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, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments			
Other	\$ 2,814,130	\$ 84,412	\$ 2,898,542
Receivables			
Property tax			
Delinquent	22,893		22,893
Succeeding year	3,043,116		3,043,116
Accounts	186,469		186,469
Due from other governments	383,395		383,395
Inventories		7,548	7,548
Prepaid expenses	11,421		11,421
Capital assets, non-depreciable	221,615		221,615
Capital assets, net of accumulated depreciation	3,524,797	29,106	3,553,903
Total assets	10,207,836	121,066	10,328,902
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	559,276	17,130	576,406
Total assets and deferred outflows of resources	\$ 10,767,112	\$ 138,196	\$ 10,905,308
LIABILITIES			
Accounts payable	\$ 318,151	\$ 1,945	\$ 320,096
Salaries and benefits payable	674,221	4,479	678,700
Long-term liabilities			
Portion due within one year			
Lease payable	17,453		17,453
Early retirement	65,610		65,610
Portion due after one year			
Lease payable	38,124		38,124
Early retirement	170,605		170,605
Net pension liability	2,295,297	34,953	2,330,250
Net OPEB liability	279,982		279,982
Total liabilities	3,859,443	41,377	3,900,820
DEFERRED INFLOWS OF RESOURCES			
Succeeding year property tax	3,043,116		3,043,116
Pension related deferred inflows	875,360	13,330	888,690
Other	218,118	6,595	224,713
Total deferred inflows of resources	4,136,594	19,925	4,156,519
NET POSITION			
Net investment in capital assets	3,690,835	29,106	3,719,941
Restricted for			
Capital projects	589,055		589,055
Management levy purposes	1,003,110		1,003,110
Physical plant and equipment	100,898		100,898
Student activities	69,149		69,149
Categorical funding	107,933		107,933
Unrestricted	(2,789,905)	47,788	(2,742,117)
Total net position	2,771,075	76,894	2,847,969
Total liabilities, deferred inflows of resources and net position	\$ 10,767,112	\$ 138,196	\$ 10,905,308

See Notes to Financial Statements.

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SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Functions and Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants
Governmental activities			
Instruction			
Regular instruction	\$ 3,121,204	\$ 325,111	\$ 949,249
Special instruction	1,176,097	-	101,617
Other instruction	1,276,475	26,922	5,950
	<u>5,573,776</u>	<u>352,033</u>	<u>1,056,816</u>
Support services			
Student services	336,556	448,104	
Instructional staff services	265,117		
Administration services	641,957		
Operation and maintenance plant services	584,743		
Transportation services	345,299	7,252	66,846
	<u>2,173,672</u>	<u>455,356</u>	<u>66,846</u>
Non-instructional		<u>22,309</u>	
Other			
Long-term debt interest	1,205		
Facilities acquisition	106,715		
AEA flowthrough	257,927		257,927
Depreciation (unallocated)*	172,480		
	<u>538,327</u>	<u>-</u>	<u>257,927</u>
Total governmental activities	8,285,775	829,698	1,381,589
Business-type activities			
Non-instructional programs			
Nutrition services	309,326	196,561	137,195
Total	\$ 8,595,101	\$ 1,026,259	\$ 1,518,784
General revenues			
Property taxes levied for			
General purposes			
Management			
PPEL			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Gain on the sale of capital assets			
Other			
Total general revenues			
Change in net position			
Net position, beginning of year (restated)			
Net position, end of year			

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

See Notes to Financial Statements.

EXHIBIT B

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (1,846,844)		\$ (1,846,844)
(1,074,480)		(1,074,480)
(1,243,603)		(1,243,603)
(4,164,927)	\$ -	(4,164,927)
111,548		111,548
(265,117)		(265,117)
(641,957)		(641,957)
(584,743)		(584,743)
(271,201)		(271,201)
(1,651,470)	-	(1,651,470)
22,309		22,309
(1,205)		(1,205)
(106,715)		(106,715)
-		-
(172,480)		(172,480)
(280,400)	-	(280,400)
(6,074,488)	-	(6,074,488)
	24,430	24,430
(6,074,488)	24,430	(6,050,058)
2,196,472		2,196,472
625,621		625,621
95,607		95,607
780,954		780,954
2,403,703		2,403,703
7,856	152	8,008
12,858		12,858
32,253		32,253
6,155,324	152	6,155,476
80,836	24,582	105,418
2,690,240	52,312	2,742,552
\$ 2,771,076	\$ 76,894	\$ 2,847,970

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SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Special Revenue Management Levy
ASSETS		
Cash and pooled investments		
Other	\$ 1,131,847	\$ 998,522
Receivables		
Property tax		
Delinquent	21,654	
Succeeding year	2,708,299	200,000
Accounts	83,696	6,198
Prepaid expenses		
Due from other funds	22,001	
Due from other governments	274,336	
	<u>\$ 4,241,833</u>	<u>\$ 1,204,720</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 304,648	\$ 1,610
Due to other funds		
Salaries and benefits payable	674,221	
	<u>978,869</u>	<u>1,610</u>
Deferred inflows of resources		
Unavailable revenues		
Succeeding year property tax	2,708,299	200,000
Other	109,059	
	<u>2,817,358</u>	<u>200,000</u>
Fund balances		
Restricted for		
Categorical funding	107,933	
Management levy purposes		1,003,110
Student activities		
School infrastructure		
Physical plant and equipment		
Unassigned	337,673	
	<u>445,606</u>	<u>1,003,110</u>
Total liabilities, deferred inflows of resources and fund balances	\$ 4,241,833	\$ 1,204,720

See Notes to Financial Statements.

EXHIBIT C

Capital Project		Other Governmental Funds	Total Governmental Funds
Physical Plant and Equipment Levy	Statewide Sales, Services and Use Tax		
\$ 135,738	\$ 491,181	\$ 56,842	\$ 2,814,130
1,239			22,893
134,817			3,043,116
	83,019	13,556	186,469
11,421			11,421
	25,499		47,500
109,059			383,395
<u>\$ 392,274</u>	<u>\$ 599,699</u>	<u>\$ 70,398</u>	<u>\$ 6,508,924</u>
	\$ 10,644	\$ 1,249	\$ 318,151
\$ 47,500			47,500
			674,221
<u>47,500</u>	<u>10,644</u>	<u>1,249</u>	<u>1,039,872</u>
134,817			3,043,116
109,059			218,118
<u>243,876</u>	<u>-</u>	<u>-</u>	<u>3,261,234</u>
			107,933
			1,003,110
		69,149	69,149
	589,055		589,055
100,898			100,898
			337,673
<u>100,898</u>	<u>589,055</u>	<u>69,149</u>	<u>2,207,818</u>
<u>\$ 392,274</u>	<u>\$ 599,699</u>	<u>\$ 70,398</u>	<u>\$ 6,508,924</u>

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET POSITION

Total governmental fund balances	\$	2,207,818
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>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 \$3,687,546</p>		
		3,746,412
<p>Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:</p>		
Deferred outflows of resources	\$	559,276
Deferred inflows of resources		(875,360)
		(316,084)
<p>Some liabilities, including bonds payable and accrued interest, other postemployment benefits payable and net pension liability, and not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds:</p>		
Lease payable		(55,577)
Early retirement		(236,215)
Net pension liability		(2,295,297)
Net OPEB liability		(279,982)
		<u>(2,866,071)</u>
Net position of governmental activities per Exhibit A	\$	<u>2,771,075</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, 2015

	General	Special Revenue Management Levy
REVENUES		
Local sources		
Local property tax	\$ 2,196,473	\$ 625,621
Tuition	225,587	
Other	198,120	5,187
State sources	3,390,500	
Federal sources	336,636	
	<u>6,347,316</u>	<u>630,808</u>
Total revenues		
EXPENDITURES		
Current		
Instruction		
Regular instruction	2,961,347	
Special instruction	1,176,097	
Other instruction	835,086	
	<u>4,972,530</u>	<u>-</u>
Support services		
Student services	252,353	
Instructional staff services	63,089	
Administration services	641,957	
Operation and maintenance plant services	434,540	150,202
Transportation services	345,299	
	<u>1,737,238</u>	<u>150,202</u>
Other		
Long-term debt		
Principal		
Interest and fiscal charges		
Facilities acquisition		
AEA flowthrough	257,927	
	<u>257,927</u>	<u>-</u>
Total expenditures	<u>6,967,695</u>	<u>150,202</u>
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	<u>(620,379)</u>	<u>480,606</u>
OTHER FINANCING SOURCES (USES)		
Transfers in		
Transfers (out)		
Proceeds from sale of assets	12,858	
	<u>12,858</u>	<u>-</u>
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) OVER EXPENDITURES AND FINANCING USES	<u>(607,521)</u>	<u>480,606</u>
FUND BALANCE, beginning of year	<u>1,053,127</u>	<u>522,504</u>
FUND BALANCE, end of year	<u>\$ 445,606</u>	<u>\$ 1,003,110</u>

See Notes to Financial Statements.

EXHIBIT D

Capital Project			
Physical Plant and Equipment Levy	Statewide Sales, Services and Use Tax	Other Governmental Funds	Total Governmental Funds
\$ 95,607			\$ 2,917,701
197,067	\$ 634,852	\$ 448,104	225,587
			1,483,330
			3,390,500
			336,636
292,674	634,852	448,104	8,353,754
			2,961,347
			1,176,097
		441,389	1,276,475
-	-	441,389	5,413,919
265,429			252,353
			328,518
122,919			641,957
			584,742
			468,218
388,348	-	-	2,275,788
		84,203	84,203
		1,205	1,205
	337,140		337,140
			257,927
-	337,140	85,408	680,475
388,348	337,140	526,797	8,370,182
(95,674)	297,712	(78,693)	(16,428)
		85,408	85,408
	(85,408)		(85,408)
			12,858
-	(85,408)	85,408	12,858
(95,674)	212,304	6,715	(3,570)
196,572	376,751	62,434	2,211,388
\$ 100,898	\$ 589,055	\$ 69,149	\$ 2,207,818

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

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	\$	(3,570)
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 exceed capital outlays in the period.		
Depreciation	\$ (311,452)	
Capital outlays	353,344	41,892
The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the statement of net position.		
		343,262
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.		
		84,203
Early retirement payments, pension, and OPEB are expenditures in the governmental funds when paid, but reduce long-term liabilities in the statement of net position and affect the statement of activities as accrued.		
Early retirement	65,381	
Pension expense	(193,772)	
Net OPEB liability	(28,801)	(157,192)
Increases in accruals are expenses in the statement of activities but does not affect the governmental fund expenditures:		
Early retirement	(151,381)	
Lease payable	(76,378)	(227,759)
Change in net position of governmental activities per Exhibit B	\$	80,836

See Notes to Financial Statements.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2015

	School Nutrition Fund
ASSETS	
CURRENT ASSETS	
Cash	\$ 84,412
Inventories	7,548
Total current assets	91,960
NONCURRENT ASSETS	
Furniture and equipment	107,483
Less accumulated depreciation	(78,377)
Total noncurrent assets	29,106
Total assets	121,066
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	17,130
Total assets and deferred outflows of resources	\$ 138,196
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 1,945
Salaries and benefits payable	4,479
Total current liabilities	6,424
NONCURRENT LIABILITIES	
Net pension liability	34,953
Total liabilities	41,377
DEFERRED INFLOWS OF RESOURCES	
Unspent hot lunch proceeds	6,595
Pension related deferred inflows	13,330
Total deferred inflows of resources	19,925
NET POSITION	
Net investment in capital assets	29,106
Unrestricted	47,788
Total net position	76,894
Total liabilities, deferred inflows of resources and net position	\$ 138,196

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, 2015

	<u>School Nutrition Fund</u>
OPERATING REVENUES	
Local sources	
Charges for services	\$ 196,561
OPERATING EXPENSES	
Non-instructional programs	
Food service operations	
Salaries and benefits	151,343
Purchased services	142,068
Supplies	9,390
Depreciation	6,525
Total operating expenses	<u>309,326</u>
Operating loss	<u>(112,765)</u>
NONOPERATING REVENUES	
Interest on investments	152
State sources	2,822
Federal sources	134,373
Total nonoperating revenues	<u>137,347</u>
Change in net position	24,582
Net position, beginning of year, restated	<u>52,312</u>
Net position, end of year	<u>\$ 76,894</u>

See Notes to Financial Statements.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2015

	<u>School Nutrition Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from sale of lunches and breakfasts	\$ 196,561
Cash payments to employees for services	(151,950)
Cash payments to vendors for goods and services	(136,561)
	<u>(91,950)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State and federal grants received	<u>110,544</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of equipment	<u>(9,349)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>152</u>
Net increase in cash	9,397
CASH, beginning of year	<u>75,015</u>
CASH, end of year	<u>\$ 84,412</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (112,765)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	6,525
Commodities used	26,651
Decrease in inventories	248
Decrease in accounts payable	(6,663)
Decrease in salaries and benefits payable	(607)
Decrease in net pension liability	(12,179)
Increase in deferred outflows of resources	(7,813)
Increase in deferred inflows of resources	14,653
	<u>(91,950)</u>
Net cash used in operating activities	<u>\$ (91,950)</u>
Non-cash, noncapital financing activities:	
During the year ended June 30, 2015, the District received commodities valued at \$26,651.	

See Notes to Financial Statements.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

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

Joint Venture

The District participates in a jointly governed organization that provides services to the District and meets the criteria of a joint venture since there is ongoing financial interest or responsibility by the participating governments. The District is a member of the Northeast Iowa Conference Schools 28E Retention Pool Trust.

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.

Government-wide Financial Statements

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

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. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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 government-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 government-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 government-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 government-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 proprietary 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity

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

Cash and Pooled Investments

The cash balances of most District funds are pooled and invested. 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 purposes 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 taxes, including tax increment financing, in the governmental fund are accounted for using the modified accrual basis of accounting.

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

Property tax revenue recognized in these funds 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

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

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity (Continued)
Interfund Transactions

During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2015, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the government-wide statements.

Due from Other Governments

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

Inventories

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

Capital Assets

Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. 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

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

b. Significant Accounting Policies (Continued)

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

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reported period.

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, 2015 was used to calculate the salaries payable.

Long-term Obligation

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net position. 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, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of the succeeding year property tax receivable, income surtaxes, and unspent hot lunch proceeds.

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

b. Significant Accounting Policies (Continued)

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

Deferred inflows of resources in the statement of net position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied, the unamortized portion of the net difference between projected and actual earnings on pension plan investments, income surtaxes, and unspent hot lunch proceeds.

Fund Balance

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

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

Unassigned fund balance is the remaining fund balance, which is not included in other spendable classifications.

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 acquisition, construction, or improvement of those assets.

Restricted net position consists of net position 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 position is used first when an expense is incurred for purposes for both restricted and unrestricted net positions.

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

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2015, expenditures in the "other" function exceeded the amounts budgeted.

Management Estimates

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

NOTES TO FINANCIAL STATEMENTS

2. Deposits and Pooled Investments

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2015:

Governmental		
General fund		
Transportation aid, non-public	\$	66,846
Vocational education secondary		5,950
REAP		33,283
Title IIA		24,775
Title VI		525
Perkins		1,861
Title I		32,037
Income surtax		109,059
		274,336
PPEL		
Income surtax		109,059
Total intergovernmental	\$	383,395

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NOTES TO FINANCIAL STATEMENTS

4. **Capital Assets**

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Governmental activities				
Land	\$ 102,262			\$ 102,262
Construction in progress	9,834	\$ 119,353	\$ 9,834	119,353
	\$ 112,096	\$ 119,353	\$ 9,834	\$ 221,615
Capital assets subject to depreciation:				
Land improvements	\$ 610,695			\$ 610,695
Buildings	4,752,794	\$ 88,057		4,840,851
Furniture and equipment	1,645,029	155,768	\$ 40,000	1,760,797
Total capital assets being depreciated	7,008,518	243,825	40,000	7,212,343
Less accumulated depreciation for:				
Land improvements	61,531	7,774		69,305
Buildings	2,241,544	164,706		2,406,250
Furniture and equipment	1,113,019	138,972	40,000	1,211,991
Total accumulated depreciation	3,416,094	311,452	40,000	3,687,546
Governmental activities				
Capital assets	\$ 3,592,424	\$ (67,627)	\$ None	\$ 3,524,797
Business-type activities				
Furniture and equipment	\$ 98,135	\$ 9,348		\$ 107,483
Less accumulated depreciation	71,852	6,525		78,377
Business-type activities				
Capital assets, net	\$ 26,283	\$ 2,823	\$ None	\$ 29,106

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

Governmental activities	
Transportation	\$ 138,972
Unallocated depreciation	172,480
Total governmental activities	\$ 311,452
Business-type activities	
Food services	\$ 6,525

NOTES TO FINANCIAL STATEMENTS

5. **Long-term Debt Obligations**

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Governmental activities					
Other liabilities					
Lease payable	\$ 63,402	\$ 76,378	\$ 84,203	\$ 55,577	\$ 17,453
Early retirement	150,215	151,381	65,381	236,215	65,610
Governmental activities					
Long-term liabilities	\$ 213,617	\$ 227,759	\$ 149,584	\$ 291,792	\$ 83,063

a. **Early Retirement**

During FY2015, 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, 2015, the District has obligations to eleven participants with a total liability of \$236,215. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$65,381.

b. **Debt Margin**

There were no interest costs incurred and charged to expenses for the year ended June 30, 2015.

At June 30, 2015, the debt issued by the District did not exceed its legal debt margin compiled as follows:

Total assessed valuation	\$ 231,881,888
Debt limit – 5% of total assessed valuation	\$ 11,594,094
Debt applicable to debt limit	
Capital leases	(55,577)
Legal debt margin	\$ 11,538,517

5. Long-term Debt Obligations (Continued)

c. Capital Leases

The District has leased several computers under capital leases. The following is a schedule of future minimum lease payments under the capital leases, together with the net present value of the minimum lease payments as of June 30, 2015.

Year ending June 30,	Amount
2016	\$ 17,453
2017	18,504
2018	19,620
Minimum lease payments	\$ 55,577

6. Pension Plan

Plan Description

IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report, which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

6. Pension Plan (Continued)

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the District contributed 8.93% for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2015 were \$352,871.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of \$2,330,250 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was 0.058757%, which was an increase of 0.004034 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$196,721. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,325	
Changes of assumptions	102,839	
Net difference between projected and actual earnings on pension plan investments		\$ 888,690
Changes in proportion and differences between District contributions and proportionate share of contributions	95,371	
District contributions subsequent to the measurement date	352,871	
Total	\$ 576,406	\$ 888,690

6. **Pension Plan (Continued)**

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$448,242 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>		
2016	\$	(169,945)
2017		(169,945)
2018		(169,945)
2019		(169,945)
2020		<u>14,625</u>
Total	\$	<u>(665,155)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00% to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table.

6. **Pension Plan (Continued)**

Actuarial Assumptions (Continued)

Asset Class	Asset Allocation	Long-term Expected Real Rate of Return
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 4,402,941	\$ 2,330,250	\$ 580,683

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report, which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan

At June 30, 2015, the District had no payables to report for the defined benefit pension plan for legally required employer contributions and legally required employee contributions, which had been withheld from employee wages but not yet remitted to IPERS.

NOTES TO FINANCIAL STATEMENTS

7. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

	Transfers In	Transfers Out
Capital project fund		
Statewide sales, services and use tax		\$ 85,408
Debt service fund	\$ 85,408	
Total	\$ 85,408	\$ 85,408

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

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 employees, retirees and their spouses. South Winneshiek Community School District has 75 active and 6 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are 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, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 57,129
Interest on net OPEB obligation	6,280
Adjustment to annual required contribution	(21,398)
Annual OPEB cost	42,011
Contributions made	(13,210)
Increase in net OPEB obligation	28,801
Net OPEB obligation beginning of year	251,181
Net OPEB obligation end of year	\$ 279,982

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, 2015.

8. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

For the year ended June 30, 2015, the District contributed \$13,210 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 are summarized below as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 82,308	27.30%	\$ 228,206
June 30, 2014	47,779	51.91%	251,181
June 30, 2015	42,011	31.44%	279,982

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$337,290, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$337,290. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4.053 million, and the ratio of the UAAL to covered payroll was 8.32%. As of June 30, 2015, 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 for the retiree health plan, presented as required supplementary information in the section following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2014 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.

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, 2015, 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, 2015 was unavailable as of December 28, 2015. The District contributions to the trust for the years ended June 30, 2015, 2014, and 2013 were \$673,001, \$656,743, and \$673,476, 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, 2015, no liability has been recorded in the District's financial statements. As of June 30, 2015, 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 \$257,927 for the year ended June 30, 2015 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 74 participants in the plan for the plan year ended December 31, 2014.

NOTES TO FINANCIAL STATEMENTS

13. **Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Four-year-old Preschool State Aid	\$ 68,186
Drop Out Prevention	2,305
Beginning Teacher Mentoring	1,263
Teacher Salary Supplement	19,901
Professional Development for Model Core Curriculum	1,422
Professional Development	11,688
Teacher Leadership	3,168
	\$ 107,933

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, 2015, 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, 2015 amount to \$118,362 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,	
2016	\$ 22,025
2017	22,025
2018	22,025
2019	22,025
2020	-
	\$ 88,100

NOTES TO FINANCIAL STATEMENTS

17. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments, which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and for changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental and business-type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business-type Activities
Net position June 30, 2014, as previously reported	\$ 5,451,113	\$ 90,124
Net pension liability at June 30, 2014	(3,094,894)	(47,132)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	334,021	9,320
Net position July 1, 2014, as restated	\$ 2,690,240	\$ 52,312

18. Subsequent Events

Management has evaluated subsequent events through December 28, 2015, 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, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
REVENUES			
Local sources	\$ 4,626,618	\$ 196,713	\$ 4,823,331
State sources	3,390,500	2,822	3,393,322
Federal sources	336,636	134,373	471,009
Total revenues	8,353,754	333,908	8,687,662
EXPENDITURES/EXPENSES			
Instruction	5,413,919		5,413,919
Support services	2,275,788		2,275,788
Non-instructional		309,326	309,326
Other	680,475		680,475
Total expenditures/expenses	8,370,182	309,326	8,679,508
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES/EXPENSES	(16,428)	24,582	8,154
OTHER FINANCING SOURCES, NET	12,858	-	12,858
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) OVER EXPENDITURES/EXPENSES AND OTHER FINANCING USES	(3,570)	24,582	21,012
FUND BALANCE, beginning of year	2,211,388	52,312	2,263,700
FUND BALANCE, end of year	\$ 2,207,818	\$ 76,894	\$ 2,284,712

See Notes to Required Budgetary Information and Independent Auditor's Report.

Budget Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 4,693,772	\$ 4,693,772	\$ 129,559
3,530,467	3,530,467	(137,145)
501,012	501,012	(30,003)
8,725,251	8,725,251	(37,589)
5,581,652	5,581,652	167,733
2,355,594	2,555,594	279,806
311,060	361,000	51,674
547,525	647,525	(32,950)
8,795,831	9,145,771	466,263
(70,580)	(420,520)	428,674
-	-	12,858
(70,580)	(420,520)	441,532
1,999,538	1,999,538	264,162
\$ 1,928,958	\$ 1,579,018	\$ 705,694

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2015

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 function 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 \$349,940.

During the year ended June 30, 2015, expenditures in the other function exceeded the amounts budgeted.

See Independent Auditor's Report.

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 Last Fiscal Year*
 (In Thousands)

	2015
District's proportion of the net pension liability	0.058757%
District's proportionate share of the net pension liability	\$ 2,330
District's covered-employee payroll	\$ 3,837
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.73%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See Notes to Required Pension Liability Information and Independent Auditor's Report.

Required Supplementary Information

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 Last 10 Fiscal Years
 (In Thousands)

	2015	2014	2013	2012
Statutorily required contribution	\$ 353	\$ 343	\$ 311	\$ 285
Contributions in relation to the statutorily required contribution	(353)	(343)	(311)	(285)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 3,952	\$ 3,837	\$ 3,589	\$ 3,529
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.66%	8.07%

See Notes to Required Pension Liability Information and Independent Auditor's Report.

2011	2010	2009	2008	2007	2006
\$ 230	\$ 225	\$ 221	\$ 205	\$ 187	\$ 188
(230)	(225)	(221)	(205)	(187)	(188)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 3,286	\$ 3,382	\$ 3,482	\$ 3,385	\$ 3,252	\$ 3,265
6.98%	6.66%	6.35%	6.06%	5.75%	5.75%

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2015

Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

See Independent Auditor's Report.

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%
2015	July 1, 2014	-	\$ 337	\$ 337	0.0%	\$ 4,053	8.32%

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.

See Independent Auditor's Report.

Other Supplementary Information

SOUTH WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2015

		Special Revenue Student Activity	Debt Service	Total Nonmajor Governmental Funds
ASSETS				
Cash and pooled investments		\$ 56,842		\$ 56,842
Receivables				
Accounts		13,556		13,556
Total assets		<u>\$ 70,398</u>	<u>\$ -</u>	<u>\$ 70,398</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable		\$ 1,249		\$ 1,249
Total liabilities		<u>1,249</u>	<u>\$ -</u>	<u>1,249</u>
Fund balances				
Restricted for				
Student activities		69,149		69,149
Total fund balances		<u>69,149</u>	<u>-</u>	<u>69,149</u>
Total liabilities and fund balances		<u>\$ 70,398</u>	<u>\$ -</u>	<u>\$ 70,398</u>

See Independent Auditor's Report.

SOUTH WINNESHEIK COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2015

	Special Revenue Student Activity	Debt Service	Total Nonmajor Governmental Funds
REVENUES			
Local sources			
Other	\$ 448,104		\$ 448,104
Total revenues	448,104	\$ -	448,104
EXPENDITURES			
Current			
Instruction			
Other instruction	441,389		441,389
Other			
Long-term debt			
Principal		84,203	84,203
Interest and fiscal charges		1,205	1,205
Total expenditures	441,389	85,408	526,797
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	6,715	(85,408)	(78,693)
OTHER FINANCING SOURCES			
Transfers in		85,408	85,408
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	6,715	-	6,715
FUND BALANCE, beginning of year	62,434		62,434
FUND BALANCE, end of year	\$ 69,149	\$ -	\$ 69,149

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, 2015

	Balance June 30, 2014	Revenues	Expenditures	Adjustments	Balance June 30, 2015
Instrumental	\$ -		\$ 675	\$ 675	\$ -
Vocal	-		701	701	-
Activity Bus Fee	-	\$ 1,084	1,084		-
Textbook Fee	-	24,538	24,538		-
Miscellaneous General Fund	-	33,555	33,555		-
SW/TV Joint Meetings	-	750	750		-
Resale	-	1,262	1,467	205	-
Activity Fee	-	3,590		(3,590)	-
Interest	290	169	85	(10)	364
Food and Fitness	1,420	50	392		1,078
First Technology Challenge	-	6,485	1,320		5,165
Field Trips-Elem/MS	3,398	11,790	10,906		4,282
Elementary	4,494	10,003	7,710	(1,402)	5,385
Music, EI/MS	350			(350)	-
Middle School Activity	-	4,149	2,788		1,361
Student Council, Middle School	961	1,203	530		1,634
Drama/Musical	2,239	9,639	7,216	(2,500)	2,162
Speech Activity and Debate	-	1,099	1,973	874	-
Choir, Senior High	-	1,087	1,463	376	-
HS Trips	355	121,232	120,014		1,573
Band, Senior High	1,357	29,833	32,611	1,421	-
Pictures, Senior High	43				43
Field Trips-HS	1,805	232	150		1,887
All Athletic	993	10,964	11,971	14	-
Cross Country	-	2,928	2,928		-
Cheerleaders, Senior High	2,199	5,716	5,159		2,756
Flag Corp.	179				179
Boys' Basketball	-	5,109	4,540	(263)	306
Football	3,041	43,690	43,756	(719)	2,256
Baseball	760	18,600	18,988	(258)	114
Boys' Track	-	4,768	5,011	243	-
Boys' Golf	316	3,108	3,952	528	-
Wrestling	-	7,270	7,250		20
Girls' Basketball	-	3,646	3,646		-
Volleyball	145	5,585	5,097	(500)	133
Softball	564	3,191	5,365	1,773	163
Girls' Track	-	3,766	6,130	2,782	418
Girls' Golf	-	1,082	955		127
Class of 2014		59			59
Class of 2015	427	2,475	2,793		109
Class of 2016	1,644	6,553	7,713		484
Class of 2017	55	2,125	643		1,537
Spanish Club	112				112
Art Senior High	166	111			277
Drama Club	1,528				1,528
Student Council, Senior High	2,530	794	392	(655)	2,277
Yearbook	18,537	13,979	15,948		16,568
National Honor Society	5	13	665	655	8
Certificate of Deposit	4,160				4,160
SODA	2,069	2,516	2,504		2,081
FFA	6,292	38,306	36,055		8,543
Totals	\$ 62,434	\$ 448,104	\$ 441,389	\$ -	\$ 69,149

See Independent Auditor's Report.

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

	Modified Accrual			
	2015	2014	2013	2012
REVENUES				
Local sources				
Local tax	\$ 2,917,701	\$ 2,717,318	\$ 2,603,482	\$ 2,884,018
Tuition	225,587	292,700	262,795	226,614
Other	1,483,330	1,141,002	1,301,247	1,286,069
State sources	3,390,500	3,396,675	3,467,383	3,409,559
Federal sources	336,636	353,179	344,496	445,871
Total revenues	<u>\$ 8,353,754</u>	<u>\$ 7,900,874</u>	<u>\$ 7,979,403</u>	<u>\$ 8,252,131</u>
EXPENDITURES				
Current				
Instruction				
Regular instruction	\$ 2,961,347	\$ 3,044,764	\$ 2,872,872	\$ 2,983,938
Special instruction	1,176,097	1,130,621	1,148,927	969,065
Other instruction	1,276,475	1,083,212	1,236,696	965,554
Support services				
Student services	252,353	192,258	177,104	175,782
Instructional staff services	328,518	324,995	302,643	227,750
Administration services	641,957	662,012	633,518	587,736
Operation and maintenance plant services	584,742	508,048	514,120	421,226
Transportation services	468,218	356,882	380,236	351,298
Non-instructional				1,264
Other				
Long-term debt				
Principal	84,203	62,220	61,059	63,379
Interest and fiscal charges	1,205	2,386	3,547	1,227
Facilities acquisition	337,140	234,314	740,730	510,763
AEA flowthrough	257,927	255,511	249,144	246,788
Total expenditures	<u>\$ 8,370,182</u>	<u>\$ 7,857,223</u>	<u>\$ 8,320,596</u>	<u>\$ 7,505,770</u>

See Independent Auditor's Report.

SCHEDULE 4

Modified Accrual					
2011	2010	2009	2008	2007	2006
\$ 2,733,055	\$ 2,583,190	\$ 2,410,317	\$ 2,229,013	\$ 2,117,458	\$ 2,261,697
231,693	141,557	87,995	87,176	49,310	85,372
1,115,461	1,100,917	1,116,511	1,068,364	1,103,752	862,243
3,257,030	2,922,810	3,283,104	3,376,138	3,056,643	2,819,326
331,966	581,779	191,449	215,061	190,094	193,575
<u>\$ 7,669,205</u>	<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>
\$ 2,825,428	\$ 2,740,582	\$ 2,640,003	\$ 2,537,480	\$ 2,379,497	\$ 2,318,095
816,684	766,563	865,792	798,829	805,116	857,911
976,074	965,005	795,982	770,761	664,674	690,308
178,987	177,303	176,708	166,189	160,697	159,134
103,415	159,720	220,428	341,471	200,166	273,605
583,037	593,083	608,015	586,557	554,575	537,257
457,009	412,085	431,908	435,931	403,553	410,736
344,487	439,660	366,832	452,454	436,533	393,980
1,364	1,464	351	1,440	1,336	1,326
	225,000	210,000	200,000	190,000	180,000
	12,100	22,810	32,810	42,215	50,945
774,791	646,322	385,725	138,102	405,870	468,535
278,181	275,156	256,218	252,758	237,024	228,195
<u>\$ 7,339,457</u>	<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>

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, 2015, and the related notes to the financial statements, which collectively comprise South Winneshiek Community School District's basic financial statements, and have issued our report thereon dated December 28, 2015.

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. We did identify a certain deficiency in internal control, described below that we consider to be a significant deficiency.

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.

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 a segregation of duties for effective internal controls, we believe it is important the Board be aware that this condition does exist.

Response and Corrective Action Planned

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.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
December 28, 2015

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, 2015, we considered the District's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the District's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 12 below are compliance comments required by the Iowa Auditor of State. A separate report dated December 28, 2015 contains our report on the District's internal control over financial reporting. This letter does not affect our report dated December 28, 2015, 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, 2015 exceeded the certified budget amounts in the other 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 monitored during the year and budget amendments will be made prior to exceeding the budget.

Conclusion

Response accepted.

2. Questionable Expenditures

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

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

No business transactions between the District and District officials and/or employees for the year ended June 30, 2015 were noted.

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

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

7. Certified Enrollment
We noted two variances in the basic enrollment data certified to the Iowa Department of Education. There was one student that never actually attended and one student was home schooled.

Recommendation

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

Response and Corrective Action Planned

The School District has assigned an individual to review certified enrollment.

Conclusion

Response accepted.

8. Supplementary Weighting
South Winneshiek Community School District received potential course adjustments from the State regarding two variances on the supplementary weighting certified to the Iowa Department of Education.

Recommendation

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

Response and Corrective Action Planned

The School District has contacted the Iowa Department of Education to appeal its secondary math sequence. The appeal was denied, but the School District has implemented an acceptable sequence change effective the second semester of the 2015-2016 school year.

Conclusion

Response accepted.

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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	376,751
Statewide sales, services and use tax			634,852
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$	337,140	
Debt service for school infrastructure:			
General obligation debt		85,408	422,548
Ending balance		\$	<u>589,055</u>

For the year ended June 30, 2015, 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. In addition, a coach's pay was calculated incorrectly, the varsity pay rate was used instead of the assistant coach pay rate.

Recommendation

The supervisor should approve all hours worked before employees are paid each pay-period and gross pay rates should be reviewed.

Response and Correction Action Planned

Controls have been discussed and we will have the supervisor approve hours and gross pay will be reviewed.

Conclusion

Response accepted.

14. Financial Condition

We noted the continued decline in the financial condition of the general fund.

Recommendation

We recommend the District continue to monitor future trends of student enrollment as it relates to budgetary matters and consider available levies such as the cash reserve levy to assist in managing its financial condition.

Response and Correction Action Planned

We will continue to monitor student enrollment as well as other areas and consider the cash reserve levy during the budget process.

Conclusion

Response accepted.

15. Bidding Process for Capital Projects

We noted during our audit the bid process for capital projects was not followed in accordance with Chapter 26.14 of the Code of Iowa.

Recommendation

We recommend when a project exceeds \$55,000, competitive quotes should be received from vendors for projects and then reviewed and noted in Board minutes the final Board approval for the bid selected.

Response and Correction Action Planned

The School District acknowledges the recommendation and will comply in the future.

Conclusion

Response accepted.

16. Bank Accounts

We noted during our audit three bank accounts at Security Bank using the School District's EIN number, which is not a part of the School District's financial statements.

Recommendation

We recommend that these separate entities obtain their EIN numbers.

Response and Correction Action Planned

The School District has contacted the officers of the three accounts in question and will resolve the issue.

Conclusion

Response accepted.

17. Student Activity Fund

In accordance with IAR 281-98.70, upon dissolution of a student activity, such as a graduating class, the surplus must be used to support other student activities in the student activity fund. The District has not closed out student activity accounts for graduated classes 2014 and 2015.

Recommendation

We recommend the student activity fund account for financial transactions related to extracurricular activities for students in accordance with IAR 281-98.70.

Response and Correction Action Planned

The School District will close out the graduating class accounts as recommended.

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.