

WEST HANCOCK COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

## Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-14
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	16-17
Statement of Activities	B	18-19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	24
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	25
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	26
Statement of Cash Flows	I	27
Notes to Financial Statements		28-37
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		39
Notes to Required Supplementary Information - Budgetary Reporting		40
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	42
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	43
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	44
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	45
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		46-47
Schedule of Findings and Responses		48-52



Gary E. Horton CPA

902 Central Ave. E.-PO Box 384  
Clarion, IA 50525-0384  
(515)532-6681 Phone  
(515) 532-2405 Fax  
[BETCO@mchsi.com](mailto:BETCO@mchsi.com) E-mail

Independent Auditor's Report

To the Board of Education of  
West Hancock Community School District:

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 West Hancock Community School District, Britt, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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 West Hancock Community School District as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated February 1, 2010 on our consideration of West Hancock Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 14 and 39 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Hancock Community School District's basic financial statements. The financial statements for the five years ended June 30, 2008, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other 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. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

February 1, 2010

## Management Discussion and Analysis

The West Hancock Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### Financial Highlights

- General Fund revenues for fiscal 2009 were \$5,667,787 while General Fund expenditures were \$5,485,215, this resulted in an increase in the District's General Fund balance from \$1,809,753 in fiscal 2008 to \$1,993,549 in fiscal 2009, or a \$183,796 increase from the prior year.
- The increase in General Fund balance was attributable to the reduction in expenditures. Some of the reduction in General fund expenditures is due to the local option sales tax being used for some of the expenditures that previously came from General fund.
- Increased enrollment, charging Activity groups for use of school transportation, and geothermal have also enhanced the General fund.

### Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are government-wide financial statements that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the government-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education were financed in the *short term* as well as what remains for future spending.
- The statement for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

Figure A-1

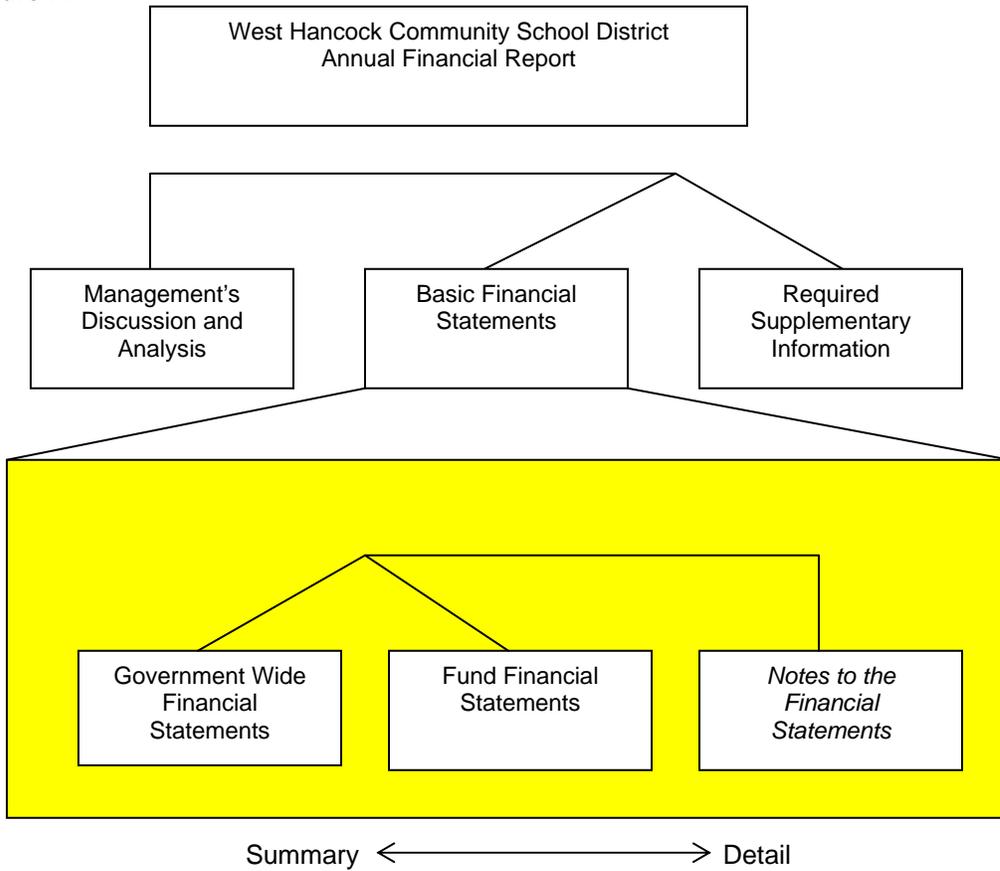


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2:  
Major Features of the Government Wide and Fund Financial Statements**

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

### **Government-wide Financial Statements**

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

The two government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school building and other facilities.

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

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

## Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has two kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
  - The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements.
  - The District's *enterprise funds* (one type of proprietary fund) are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

## Financial Analysis of the District as a Whole

**Net assets.** - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2009, compared to June 30, 2008.

**Figure A-3**

**Condensed Statement of Net Assets (in millions of dollars) June 30, 2009**

	Governmental		Business-type		Total	
	Activities		Activities		School District	
	2008	2009	2008	2009	2008	2009
Current and other assets	6.957	6.719	.100	.116	7.057	6.834
Capital assets	8.040	8.037	.034	.031	8.074	8.068
<b>Total assets</b>	<b>14.997</b>	<b>14.756</b>	<b>.134</b>	<b>.147</b>	<b>15.131</b>	<b>14.903</b>
Long-term debt outstanding	5.464	5.131	-	-	5.464	5.131
Other liabilities	3.963	3.396	.	.005	3.963	3.401
Total liabilities	<b>9.427</b>	<b>8.527</b>	<b>.</b>	<b>.005</b>	<b>9.427</b>	<b>8.532</b>
Net assets						
Invested in capital assets, net of related debt	2.585	2.923	.034	.031	2.619	2.954
Restricted	.980	1.078	-	-	.980	1.078
Unrestricted	2.005	2.227	.100	.112	2.105	2.339
<b>Total net assets</b>	<b>5.570</b>	<b>6.228</b>	<b>.134</b>	<b>.143</b>	<b>5.704</b>	<b>6.371</b>

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2009.

**Figure A-4**  
**Changes in Net Assets from Operating Results (in millions of dollars)**

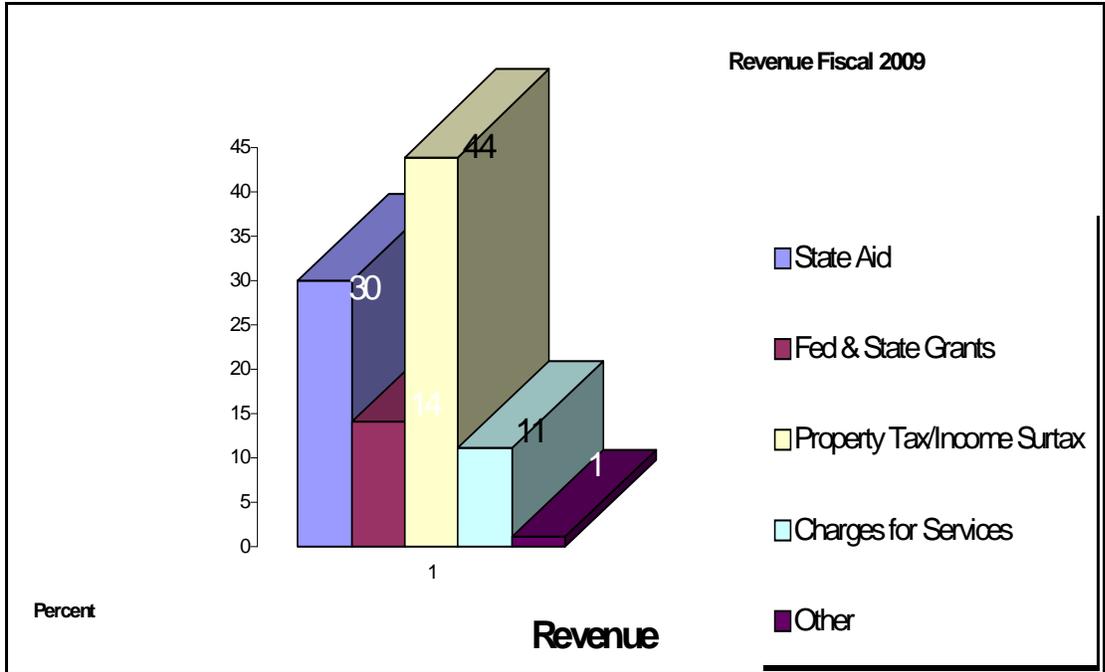
	Governmental		Business-type		Total	
	Activities		Activities		School District	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
<b>Revenues</b>						
Program revenues						
Charges for services	.486	.639	0.135	.132	.621	.771
Operating Grants & Contributions	.712	.836	0.134	.150	.846	.986
Capital Grants & Contributions	-	.043	-	-	-	.043
General revenues						
Property Taxes & Other Local Taxes	3.250	3.210	-	-	3.250	3.210
Unrestricted State Aid	2.139	2.223	-	-	2.139	2.223
Other	.202	.156	.001	.001	.203	.157
<b>Total revenues</b>	<b>6.789</b>	<b>7.107</b>	<b>.270</b>	<b>.283</b>	<b>7.059</b>	<b>7.390</b>
<b>Expenses</b>						
Instruction	3.880	4.096	-	-	3.880	4.096
Support Services	1.629	1.738	-	-	1.629	1.738
Non-instructional programs	.000	.000	.266	.270	.266	.270
Other	.779	.699	-	-	.779	.699
<b>Total expenses</b>	<b>6.288</b>	<b>6.533</b>	<b>.266</b>	<b>.270</b>	<b>6.554</b>	<b>6.803</b>
<b>Increase (decrease) in net assets</b>	<b>.501</b>	<b>.574</b>	<b>.004</b>	<b>.013</b>	<b>.505</b>	<b>.586</b>

Property tax, income surtax, sales taxes and state foundation aid account for 76 percent of the total revenue. The District's expenses primarily relate to instruction and support services that account for 84 percent of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$7,106,398 and expenses were \$6,533,974. In a difficult budget year, the District was able to increase the budget balance by trimming expenses district wide.

**Figure A-5** The following graph presents the total Revenue for the District's major governmental activities: state aid, federal and state grants, property taxes, charges for services and other incomes.



**Figure A-6** The following graph presents the total Expenditures for the District’s major governmental activities: instruction, student & instructional services, administration & business operations & maintenance, transportation and AEA flow thru.

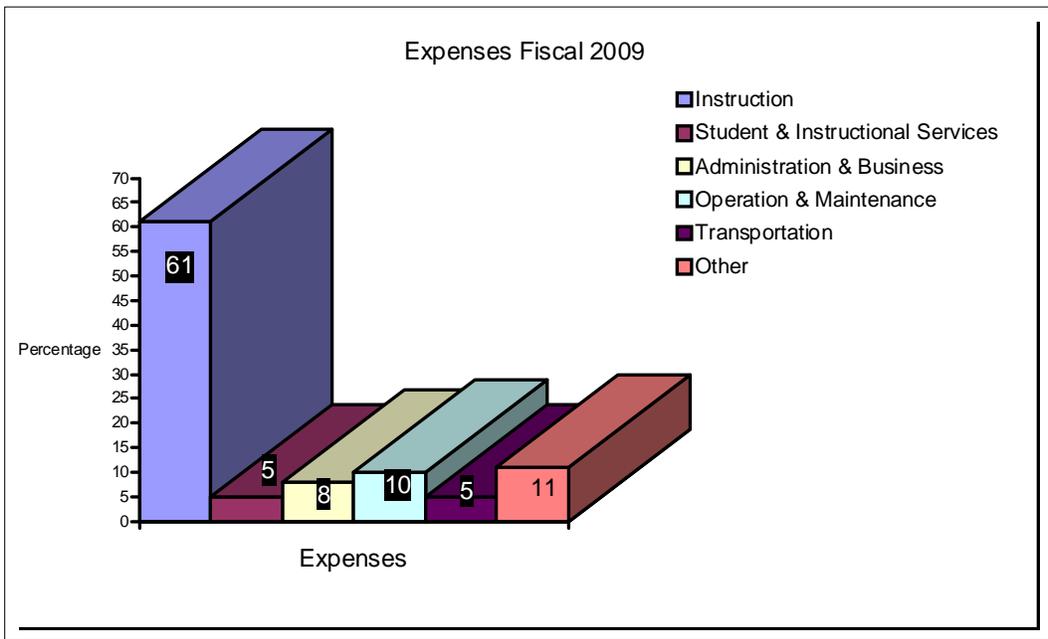


Figure A-7 presents the cost of six major district activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity’s *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District’s taxpayers by each of these functions.

**Figure A-7**  
**Net Cost of Governmental Activities (in millions of dollars)**

	<b>Total Cost of Services <u>2009</u></b>	<b>Net Cost of Services <u>2009</u></b>
Instruction	\$4.096	\$ 2.857
Pupil & Instructional Services	.189	.189
Administrative & Business	.536	.536
Maintenance & operations	.679	.679
Transportation	.333	.319
Other	.700	.434
<b>Total</b>	<b>\$ 6.533</b>	<b>\$ 5.015</b>

- The cost of all governmental activities this year was \$6,533,974.
- Some of the cost was financed by the users of the District's programs in the amount of \$639,201.
- The federal and state governments subsidized certain programs with grants and contributions \$835,537.
- Most of the District's costs were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$2,545,590 million in property taxes, \$305,377 of income surtax and 359,170 of sales tax \$2,222,616 million of unrestricted state aid based on the statewide finance formula, and investment earnings.

### **Business Type Activities**

Revenues from the District's business-type activities included charges for services in the amount of \$132,569 and \$150,187 from operating grants, contributions and restricted interest. Expenses from the District's business type activities amounted to \$269,820. The Hot Lunch program was the only Business Type Activity for the District during the 2009 school year.

### **Financial Analysis of the District's Funds**

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,064,061 which is \$274,532 above last year's ending fund balances of \$2,789,529.

### **Governmental Fund Highlights**

- The District's stabilizing General Fund financial position is the product of many factors. During the year property tax proceeds, open enrollment, interest income, replacement taxes and federal programs stayed consistent with budgeted amounts and expenditures were in line with projections.
- The General Fund balance increase from \$1,809,753 to \$1,999,549 due mainly to an across the 100% budget guarantee scale down.

- The Management Fund stayed stable.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$128,995 at June 30, 2008 to \$142,692 June 30, 2009. This has stayed fairly stable considering the fact that the Nutrition Fund acquired new equipment. We did raise student meal prices by 5 cents.

## **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison.

### **Legal Budgetary Highlights**

The District's total actual receipts were approximately \$112,450 more than that budgeted receipts, which is a 1.6% variance.

Total expenditures were less than budgeted. It is the District's practice to budget expenditures at the same amount as budgeted revenues in all funds. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

## **Capital Asset and Debt Administration**

### **Capital Assets**

By the end of 2009 the District had invested \$8.1 million, in a broad range of assets, including school buildings, school infrastructure, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-8) **(More detailed information about capital assets can be found in Note 5 to the financial statements.)** Total depreciation expense for the year exceeded \$325,471.

At June 30, 2009 the District had \$141,000 of construction in progress for electrical upgrades at the high school. The District has committed an additional \$53,000 to complete the project.

Figure A-8

Capital Assets (net of depreciation, (in millions of dollars)

	<b>Governmental Activities <u>2009</u></b>	<b>Business Type Activities <u>2009</u></b>	<b>Total School District <u>2009</u></b>
Land	0.013	0	0.013
Construction in progress	.141	0	.141
Buildings	7.241	0	7.241
Improvements	.223	0	.223
Equipment & Furniture	0.421	0.031	0.452
	<b>8.039</b>	<b>0.031</b>	<b>8.070</b>

### Long-Term Debt

At year-end, the District had \$5,131,309 in general obligation bonds and other long-term debt outstanding. This represents a decrease of 6.14% over the previous fiscal year as can be seen in Figure A-9 below.

Figure A-9

Outstanding Long-Term Debt (in millions of dollars)

	<b>Total School District</b>		<b>Total Percentage Change</b>
	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2008-2009</u></b>
General Obligation bonds & notes (financed with property tax)	5.448	5.114	(6.13)
Other general obligation debt	.019	.017	(10.53)
<b>Total</b>	<b>5.467</b>	<b>5.131</b>	<b>(6.14)</b>

### Factors Bearing on the District's Future

The following factors will have some impact on the district's financial future.

- The district must expect and plan for a continued enrollment decline of approximately 6% over the next five years.
  1. There has been a steady decline in enrollment during the past ten years.
  2. The number of farms in Hancock County continues to decline.
  3. Few new houses have been built in Britt or Kanawha in the past few years.
- Future state funding will be a major factor in the district's future
- State and Federal unfunded mandates.
- The degree to which the district will commit itself to effectively manage the fiscal matters of the district.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact either, Richard Keith, Superintendent or Mona Buns, Board Secretary/Business Manager, West Hancock Community School District, 510 9<sup>th</sup> Ave. SW., Britt, Iowa 50423

## BASIC FINANCIAL STATEMENTS

## WEST HANCOCK COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	614,624	-	614,624
Other	2,987,533	99,454	3,086,987
Receivables:			
Property tax:			
Delinquent	36,250	-	36,250
Succeeding year	2,604,524	-	2,604,524
Accounts	771	-	771
Accrued interest:			
ISCAP	6,209	-	6,209
Other	19,991	-	19,991
Due from other governments	448,954	-	448,954
Inventories	-	16,562	16,562
Capital assets, net of accumulated depreciation	8,037,392	31,281	8,068,673
<b>Total assets</b>	<b>14,756,248</b>	<b>147,297</b>	<b>14,903,545</b>
<b>Liabilities</b>			
Accounts payable	115,409	344	115,753
Salaries and benefits payable	1,429	-	1,429
Accrued interest payable	37,424	-	37,424
Deferred revenue:			
Succeeding year property tax	2,604,524	-	2,604,524
Other	18,036	4,261	22,297
ISCAP warrants payable	606,000	-	606,000
ISCAP accrued interest payable	4,332	-	4,332
ISCAP unamortized premium	9,011	-	9,011
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	275,000	-	275,000
Notes payable	71,354	-	71,354
Termination benefits	2,137	-	2,137
Compensated absences	10,645	-	10,645
Portion due after one year:			
General obligation bonds payable	4,485,000	-	4,485,000
Notes payable	282,937	-	282,937
Termination benefits	4,236	-	4,236
<b>Total liabilities</b>	<b>8,527,474</b>	<b>4,605</b>	<b>8,532,079</b>

See notes to financial statements.

## WEST HANCOCK COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,923,101	31,281	2,954,382
Restricted for:			
Categorical funding	41,793	-	41,793
Management levy	505,137	-	505,137
Physical plant and equipment levy	104,548	-	104,548
Other special revenue purposes	119,834	-	119,834
Sales tax capital projects	306,523	-	306,523
Unrestricted	<u>2,227,838</u>	<u>111,411</u>	<u>2,339,249</u>
<b>Total net assets</b>	<u><u>6,228,774</u></u>	<u><u>142,692</u></u>	<u><u>6,371,466</u></u>

West Hancock Community School District

Statement of Activities

Year ended June 30, 2009

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Instruction:				
Regular	2,273,753	315,652	458,632	-
Special	769,566	43,622	35,618	-
Other	1,052,972	279,610	105,695	-
	<u>4,096,291</u>	<u>638,884</u>	<u>599,945</u>	<u>-</u>
Support services:				
Student	46,998	-	-	-
Instructional staff	142,568	-	-	-
Administration	536,395	-	-	-
Operation and maintenance of plant	679,320	317	-	-
Transportation	332,629	-	13,375	-
	<u>1,737,910</u>	<u>317</u>	<u>13,375</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	35,630	-	-	43,270
Long-term debt interest	242,045	-	513	-
AEA flowthrough	221,704	-	221,704	-
Depreciation (unallocated)*	200,394	-	-	-
	<u>699,773</u>	<u>-</u>	<u>222,217</u>	<u>43,270</u>
Total governmental activities	6,533,974	639,201	835,537	43,270
<b>Business type activities:</b>				
Non-instructional programs:				
Food service operations	269,820	132,569	150,187	-
Total	<u>6,803,794</u>	<u>771,770</u>	<u>985,724</u>	<u>43,270</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
ARRA Stabilization Grant				
Unrestricted investment earnings				
Other				
Total general revenues				

**Change in net assets**

Net assets beginning of year, as restated

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,499,469)	-	(1,499,469)
(690,326)	-	(690,326)
(667,667)	-	(667,667)
<u>(2,857,462)</u>	<u>-</u>	<u>(2,857,462)</u>
(46,998)	-	(46,998)
(142,568)	-	(142,568)
(536,395)	-	(536,395)
(679,003)	-	(679,003)
(319,254)	-	(319,254)
<u>(1,724,218)</u>	<u>-</u>	<u>(1,724,218)</u>
7,640	-	7,640
(241,532)	-	(241,532)
-	-	-
<u>(200,394)</u>	<u>-</u>	<u>(200,394)</u>
<u>(434,286)</u>	<u>-</u>	<u>(434,286)</u>
(5,015,966)	-	(5,015,966)
<u>-</u>	<u>12,936</u>	<u>12,936</u>
<u>(5,015,966)</u>	<u>12,936</u>	<u>(5,003,030)</u>
2,086,984	-	2,086,984
392,853	-	392,853
65,753	-	65,753
305,377	-	305,377
359,170	-	359,170
2,222,616	-	2,222,616
51,069	-	51,069
93,906	761	94,667
10,842	-	10,842
<u>5,588,570</u>	<u>761</u>	<u>5,589,331</u>
572,604	13,697	586,301
<u>5,656,170</u>	<u>128,995</u>	<u>5,785,165</u>
<u>6,228,774</u>	<u>142,692</u>	<u>6,371,466</u>

## WEST HANCOCK COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2009

	General Fund	Management	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments:					
ISCAP	614,624	-	-	-	614,624
Other	1,944,661	508,993	22,494	511,385	2,987,533
Receivables:					
Property tax:					
Delinquent	26,471	2,854	5,603	1,322	36,250
Succeeding year	1,913,786	199,999	392,820	97,919	2,604,524
Accounts	456	-	-	315	771
Accrued interest - ISCAP	6,209	-	-	-	6,209
Accrued interest - other	19,991	-	-	-	19,991
Due from other governments	375,588	-	-	73,366	448,954
<b>Total assets</b>	<b>4,901,786</b>	<b>711,846</b>	<b>420,917</b>	<b>684,307</b>	<b>6,718,856</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	59,759	337	-	55,313	115,409
Salaries and benefits payable	1,429	-	-	-	1,429
ISCAP warrants payable	606,000	-	-	-	606,000
ISCAP accrued interest payable	4,332	-	-	-	4,332
ISCAP unamortized premium	9,011	-	-	-	9,011
Deferred revenue:					
Succeeding year property tax	1,913,786	199,999	392,820	97,919	2,604,524
Income surtax	264,772	-	-	-	264,772
Other	49,148	-	-	170	49,318
Total liabilities	2,908,237	200,336	392,820	153,402	3,654,795
Fund balances:					
Reserved for:					
Categorical funding	41,793	-	-	-	41,793
Debt service	-	-	28,097	-	28,097
Unreserved reported in:					
General fund	1,951,756	511,510	-	-	2,463,266
Special revenue funds	-	-	-	224,382	224,382
Capital projects funds	-	-	-	306,523	306,523
Total fund balances	1,993,549	511,510	28,097	530,905	3,064,061
<b>Total liabilities and fund balances</b>	<b>4,901,786</b>	<b>711,846</b>	<b>420,917</b>	<b>684,307</b>	<b>6,718,856</b>

## WEST HANCOCK COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

\$

<b>Total fund balances of governmental funds (Exhibit C)</b>	3,064,061
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,037,392
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	296,054
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(37,424)
Long-term liabilities, including bonds payable, notes payable, termination benefits, and compensated absences payable are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(5,131,309)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>6,228,774</u></u>

## WEST HANCOCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2009

	General Fund	Management	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,143,560	200,117	392,853	451,835	3,188,365
Tuition	297,986	-	-	-	297,986
Other	149,083	11,865	513	326,891	488,352
Intermediate sources	1,748	-	-	-	1,748
State sources	2,880,744	128	252	59	2,881,183
Federal sources	194,666	-	-	-	194,666
Total revenues	<u>5,667,787</u>	<u>212,110</u>	<u>393,618</u>	<u>778,785</u>	<u>7,052,300</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,242,865	6,409	-	-	2,249,274
Special	752,191	-	-	-	752,191
Other	788,228	-	-	279,470	1,067,698
	<u>3,783,284</u>	<u>6,409</u>	<u>-</u>	<u>279,470</u>	<u>4,069,163</u>
Support services:					
Student	46,998	-	-	-	46,998
Instructional staff	134,296	-	-	-	134,296
Administration	505,108	-	-	17,922	523,030
Operation and maintenance of plant	514,617	152,413	-	12,656	679,686
Transportation	279,208	-	-	83,931	363,139
	<u>1,480,227</u>	<u>152,413</u>	<u>-</u>	<u>114,509</u>	<u>1,747,149</u>
Non-instructional programs	-	-	-	12,650	12,650
Other expenditures:					
Facilities acquisition	-	-	-	229,686	229,686
Long-term debt:					
Principal	-	-	341,002	-	341,002
Interest and fiscal charges	-	-	243,862	-	243,862
AEA flowthrough	221,704	-	-	-	221,704
	<u>221,704</u>	<u>-</u>	<u>584,864</u>	<u>229,686</u>	<u>1,036,254</u>
Total expenditures	<u>5,485,215</u>	<u>158,822</u>	<u>584,864</u>	<u>636,315</u>	<u>6,865,216</u>
Excess (deficiency) of revenues over (under) expenditures	<u>182,572</u>	<u>53,288</u>	<u>(191,246)</u>	<u>142,470</u>	<u>187,084</u>

## WEST HANCOCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2009

	General Fund	Management	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Sales of materials and equipment	1,224	-	-	-	1,224
Operating transfers in	-	-	192,238	-	192,238
Operating transfers out	-	-	-	(192,238)	(192,238)
Total other financing sources (uses)	<u>1,224</u>	<u>-</u>	<u>192,238</u>	<u>(192,238)</u>	<u>1,224</u>
Net change in fund balances	183,796	53,288	992	(49,768)	188,308
Fund balances beginning of year, as restated	<u>1,809,753</u>	<u>458,222</u>	<u>27,105</u>	<u>580,673</u>	<u>2,875,753</u>
Fund balances end of year	<u><u>1,993,549</u></u>	<u><u>511,510</u></u>	<u><u>28,097</u></u>	<u><u>530,905</u></u>	<u><u>3,064,061</u></u>

## WEST HANCOCK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		188,308
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Expenditures for capital assets	319,566	
Depreciation expense	<u>(322,635)</u>	(3,069)
Income surtaxes and other receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		
		53,054
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		341,002
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		1,817
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	2,137	
Compensated absences	<u>(10,645)</u>	<u>(8,508)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>572,604</u></u>

## WEST HANCOCK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Fund

June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	99,454
Inventories	16,562
Capital assets, net of accumulated depreciation	<u>31,281</u>
<b>Total assets</b>	<u>147,297</u>
<b>Liabilities</b>	
Accounts payable	344
Deferred Revenue	<u>4,261</u>
<b>Total liabilities</b>	<u>4,605</u>
<b>Net assets</b>	
Invested in capital assets	31,281
Unrestricted	<u>111,411</u>
<b>Total net assets</b>	<u><u>142,692</u></u>

WEST HANCOCK COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Fund

Year ended June 30, 2009

	<u>Nonmajor School Nutrition</u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>132,569</u>
Operating expenses:	
Non-instructional programs:	
Salaries	96,974
Benefits	39,853
Purchased services	5,384
Supplies	124,773
Depreciation	2,836
Total operating expenses	<u>269,820</u>
Operating gain (loss)	<u>(137,251)</u>
Non-operating revenues:	
State sources	3,746
Federal sources	146,441
Interest income	761
Total non-operating revenues	<u>150,948</u>
Change in net assets	13,697
Net assets beginning of year, as restated	<u>128,995</u>
Net assets end of year	<u><u>142,692</u></u>

## WEST HANCOCK COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows form operating activities:	
Cash received from sale of lunches and breakfasts	131,146
Cash payments to employees for services	(136,827)
Cash payments to suppliers for goods or services	(116,894)
Net cash used by operating activities	<u>(122,575)</u>
Cash flows from non-capital financing activities:	
State grants received	3,746
Federal grants received	129,065
Net cash provided by non-capital financing activities	<u>132,811</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>761</u>
Net increase (decrease) in cash and cash equivalents	10,997
Cash and cash equivalents at beginning of year	<u>88,457</u>
Cash and cash equivalents at end of year	<u><u>99,454</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(137,251)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	17,376
Depreciation	2,836
Decrease (increase) in inventories	(5,417)
Decrease (increase) in accounts receivable	185
(Decrease) increase in accounts payable	144
(Decrease) increase in deferred revenue	(448)
Net cash used by operating activities	<u><u>(122,575)</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received \$17,376 of federal commodities.

# WEST HANCOCK COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2009

### 1. Summary of Significant Accounting Policies

West Hancock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Britt and Kanawha, Iowa and the predominately agricultural territory in a portion of Hancock and Wright Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

#### A. Reporting Entity

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

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

#### B. Basis of Presentation

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

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

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

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental 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 nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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.

The Management Levy is used to account for the revenues and expenditures on the taxes levied for insurance and early retirement.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

#### C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions

are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

#### D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008, through June 30, 2009, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. 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 repair 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.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

**2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	55,704

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

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

**3. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer To	Transfer From	Amount
		\$
Debt Service Fund	Nonmajor Physical Plant and Equipment Levy Fund	7,419
Debt Service Fund	Nonmajor Capital Projects Fund	184,819

These transfers moved revenues from the funds statutorily required to collect the resources to the fund statutorily required to expend the resources.

**4. Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2008-09A	6/26/08	6/25/09	-	3,157	-	-
2008-09B	1/21/09	1/21/10	326,128	3,016	322,000	4,235
2009-10A	6/25/09	6/23/10	288,496	36	284,000	97
Total			<u>614,624</u>	<u>6,209</u>	<u>606,000</u>	<u>4,332</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
	%	%
2008-09A	3.500	3.469
2008-09B	3.000	2.110
2009-10A	2.500	0.902

## 5. Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	16,632	140,302	16,632	140,302
Land	13,500	-	-	13,500
Total capital assets not being depr.	<u>30,132</u>	<u>140,302</u>	<u>16,632</u>	<u>153,802</u>
Capital assets being depreciated:				
Buildings	10,318,054	25,046	-	10,343,100
Improvements other than buildings	395,511	29,282	-	424,793
Furniture and equipment	1,609,636	141,568	82,020	1,669,184
Total capital assets being deprec.	<u>12,323,201</u>	<u>195,896</u>	<u>82,020</u>	<u>12,437,077</u>
Less accumulated depreciation for:				
Buildings	2,917,126	184,924	-	3,102,050
Improvements other than buildings	187,149	15,470	-	202,619
Furniture and equipment	1,208,597	122,241	82,020	1,248,818
Total accumulated depreciation	<u>4,312,872</u>	<u>322,635</u>	<u>82,020</u>	<u>4,553,487</u>
Total capital assets being depreciated, net	<u>8,010,329</u>	<u>(126,739)</u>	<u>-</u>	<u>7,883,590</u>
Governmental activities capital assets, net	<u>8,040,461</u>	<u>13,563</u>	<u>16,632</u>	<u>8,037,392</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	137,026	-	-	137,026
Less accumulated depreciation	<u>102,909</u>	<u>2,836</u>	<u>-</u>	<u>105,745</u>
Business type activities capital assets, net	<u>34,117</u>	<u>(2,836)</u>	<u>-</u>	<u>31,281</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
	\$
Governmental activities:	
Instruction:	
Regular	26,616
Special	17,375
Other	2,203
Support services:	
Instructional staff services	8,272
Administration services	9,102
Operation and maintenance of plant services	5,252
Transportation	<u>53,421</u>
	122,241
Unallocated depreciation	<u>200,394</u>
Total depreciation expense – governmental activities	<u>322,635</u>
Business type activities:	
Food services	<u>2,836</u>

## 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	5,025,000	-	265,000	4,760,000	275,000
Capital loan note	422,874	-	68,583	354,291	71,354
Capital leases	7,419	-	7,419	-	-
Termination benefits	11,869	-	5,496	6,373	2,137
Compensated absences	-	10,645	-	10,645	10,645
	<u>5,467,162</u>	<u>10,645</u>	<u>346,498</u>	<u>5,131,309</u>	<u>359,136</u>
Total					

### Termination Benefits

The District offered a voluntary early retirement plan to its certified employees in prior years. At June 30, 2009, the District has obligations to one participant with a total liability of \$6,373. Early retirement benefits paid during the year ended June 30, 2009 totaled \$5,496.

### General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2010	5.125	275,000	217,521	492,521
2011	5.20	290,000	203,428	493,428
2012	5.20	300,000	188,348	488,348
2013	4.05	315,000	172,747	487,747
2014	4.125	330,000	159,990	489,990
2015-2019	4.20-4.55	1,895,000	576,273	2,471,273
2020-2022	4.60-4.70	1,355,000	128,605	1,483,605
		<u>4,760,000</u>	<u>1,646,912</u>	<u>6,406,912</u>

### Capital Loan Notes

Details of the District's capital loan notes are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2010	4.00	71,354	13,465	84,819
2011	4.00	74,236	10,583	84,819
2012	4.00	77,236	7,583	84,819
2013	4.00	80,356	4,463	84,819
2014	4.00	51,109	1,022	52,131
		<u>354,291</u>	<u>37,116</u>	<u>391,407</u>

During the year ended June 30, 2009 the District made principal and interest payments totaling \$84,819 under the note agreements.

## **7. Pension and Retirement Benefits**

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$207,951, \$187,430, and \$167,867 respectively, equal to the required contributions for each year.

## **8. Risk Management**

West Hancock 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.

## **9. 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 \$221,704 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## **10. Restatement of Beginning Balances**

The Nonmajor Capital Projects beginning fund balance was increased by \$86,224 because June 30, 2008 receivables were understated.

The School Nutrition Fund beginning net assets was decreased by \$4,709 because June 30, 2008 deferred revenue liability was understated.

The above fund balance restatements also affected the beginning balances on the Statement of Activities.

## **11. Construction Commitment**

The District has entered into a \$169,796 contract for high school electrical upgrades. As of June 30, 2009 costs of \$117,451 had been incurred against the contract. The balance remaining at June 30, 2009 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

WEST HANCOCK COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,974,703	133,330	4,108,033	4,050,754	4,050,754	57,279
Intermediate sources	1,748	-	1,748	-	-	1,748
State sources	2,881,183	3,746	2,884,929	2,866,613	2,866,613	18,316
Federal sources	194,666	146,441	341,107	306,000	306,000	35,107
Total revenues	<u>7,052,300</u>	<u>283,517</u>	<u>7,335,817</u>	<u>7,223,367</u>	<u>7,223,367</u>	<u>112,450</u>
Expenditures/Expenses:						
Instruction	4,069,163	-	4,069,163	4,362,000	4,362,000	292,837
Support services	1,747,149	-	1,747,149	1,751,000	1,751,000	3,851
Non-instructional programs	12,650	269,820	282,470	305,000	305,000	22,530
Other expenditures	1,036,254	-	1,036,254	1,148,364	1,148,364	112,110
Total expenditures/expenses	<u>6,865,216</u>	<u>269,820</u>	<u>7,135,036</u>	<u>7,566,364</u>	<u>7,566,364</u>	<u>431,328</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	187,084	13,697	200,781	(342,997)	(342,997)	543,778
Other financing sources (uses) net	<u>1,224</u>	<u>-</u>	<u>1,224</u>	<u>190,000</u>	<u>190,000</u>	<u>(188,776)</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	188,308	13,697	202,005	(152,997)	(152,997)	355,002
Balance beginning of year	<u>2,875,753</u>	<u>128,995</u>	<u>3,004,748</u>	<u>2,681,686</u>	<u>2,681,686</u>	<u>323,062</u>
Balance end of year	<u><u>3,064,061</u></u>	<u><u>142,692</u></u>	<u><u>3,206,753</u></u>	<u><u>2,528,689</u></u>	<u><u>2,528,689</u></u>	<u><u>678,064</u></u>

WEST HANCOCK COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

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

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

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

OTHER SUPPLEMENTARY INFORMATION

## WEST HANCOCK COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue Funds					Total
	Student Activity Fund	Physical Plant and Equipment Levy	Playground Equipment Recreation Levy	Riebsamen Memorial	Capital Projects	
	\$	\$	\$	\$	\$	\$
Cash and pooled investments	103,698	103,610	33,308	143	270,626	511,385
Receivables:						
Property tax:						
Delinquent	-	938	384	-	-	1,322
Succeeding year	-	69,491	28,428	-	-	97,919
Accounts	145	170	-	-	-	315
Due from other governments	-	-	-	-	73,366	73,366
<b>Total assets</b>	<b>103,843</b>	<b>174,209</b>	<b>62,120</b>	<b>143</b>	<b>343,992</b>	<b>684,307</b>
<b>Liabilities &amp; Fund Balances</b>						
Liabilities:						
Accounts payable	17,844	-	-	-	37,469	55,313
Deferred revenue:						
Succeeding year property tax	-	69,491	28,428	-	-	97,919
Other	-	170	-	-	-	170
Total liabilities	<u>17,844</u>	<u>69,661</u>	<u>28,428</u>	<u>-</u>	<u>37,469</u>	<u>153,402</u>
Fund balances:						
Unreserved reported in:						
Special revenue funds	85,999	104,548	33,692	143	-	224,382
Capital projects funds	-	-	-	-	306,523	306,523
Total fund balances	<u>85,999</u>	<u>104,548</u>	<u>33,692</u>	<u>143</u>	<u>306,523</u>	<u>530,905</u>
<b>Total liabilities and fund balances</b>	<b>103,843</b>	<b>174,209</b>	<b>62,120</b>	<b>143</b>	<b>343,992</b>	<b>684,307</b>

## WEST HANCOCK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Special Revenue Funds					Total
	Student Activity Fund	Physical Plant and Equipment Levy	Playground Equipment/ Recreation Levy	Riebsamen Memorial	Capital Projects	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	-	65,753	26,912	-	359,170	451,835
Other	280,123	31,985	12,839	1	1,943	326,891
State sources	-	42	17	-	-	59
Total revenues	<u>280,123</u>	<u>97,780</u>	<u>39,768</u>	<u>1</u>	<u>361,113</u>	<u>778,785</u>
Expenditures:						
Current:						
Instruction:						
Other instruction	279,470	-	-	-	-	279,470
Support services:						
Administration services	-	-	17,922	-	-	17,922
Operation and maintenance of plant services	-	12,656	-	-	-	12,656
Transportation services	-	-	-	-	83,931	83,931
Other expenditures:						
Community services	-	-	12,650	-	-	12,650
Facilities acquisition	-	31,917	-	-	197,769	229,686
Total expenditures	<u>279,470</u>	<u>44,573</u>	<u>30,572</u>	<u>-</u>	<u>281,700</u>	<u>636,315</u>
Excess (deficiency) of revenues over (under) expenditures	<u>653</u>	<u>53,207</u>	<u>9,196</u>	<u>1</u>	<u>79,413</u>	<u>142,470</u>
Other financing sources (uses):						
Operating transfers out	-	(7,419)	-	-	(184,819)	(192,238)
Net change in fund balances	653	45,788	9,196	1	(105,406)	(49,768)
Fund balances beginning of year, as restated	<u>85,346</u>	<u>58,760</u>	<u>24,496</u>	<u>142</u>	<u>411,929</u>	<u>580,673</u>
Fund balances end of year	<u><u>85,999</u></u>	<u><u>104,548</u></u>	<u><u>33,692</u></u>	<u><u>143</u></u>	<u><u>306,523</u></u>	<u><u>530,905</u></u>

## WEST HANCOCK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

Account	Balance	Revenues	Expenditures	Balance End
	Beginning of Year			of Year
	\$	\$	\$	\$
Athletics	12,252	52,837	59,728	5,361
Class of 2007	600	-	-	600
Class of 2008	1,784	-	164	1,620
Class of 2009	5,727	1,099	5,398	1,428
Class of 2010	-	23,770	16,243	7,527
FFA	5,280	20,659	18,582	7,357
FCCLA	123	138	72	189
SES	213	-	-	213
Student council	6,357	2,516	2,227	6,646
Vocal Music	(497)	629	132	-
Cheerleaders	(84)	8,535	7,384	1,067
Band	(497)	689	192	-
Band trip	-	9,391	9,136	255
Drama	479	1,870	1,183	1,166
Pep club	316	159	-	475
Uniforms	9,493	17,969	18,194	9,268
Yearbook	(380)	5,123	391	4,352
Girls basketball	962	3,614	4,516	60
Mat maids	100	-	-	100
Wrestling	1,424	1,126	1,900	650
Weight lifting	348	8,215	8,022	541
Boys basketball	1,678	4,297	5,334	641
Interest	5,734	312	-	6,046
Student fees	283	-	-	283
Spanish club	1,072	-	-	1,072
Speech	(129)	2,782	1,681	972
Volleyball	3,468	4,548	3,850	4,166
Junior high student council	1,304	2,106	2,298	1,112
Business club	204	-	-	204
Softball	1,642	1,586	1,503	1,725
Junior high athletics	(511)	6,267	5,756	-
Cheerleaders	1,008	82	464	626
Junior high music	952	810	1,762	-
Interest	999	202	-	1,201
Renaissance	2,326	-	-	2,326
Golf co-ed	16	2,396	2,392	20
Junior high student projects	13,257	84,037	89,341	7,953
Junior high accelerated reading	455	1,254	1,709	-
Elementary accelerated reading	3,698	9,529	9,250	3,977
Book & tech donation	4,225	657	-	4,882
Sunshine fund	(335)	919	666	(82)
<b>Total</b>	<b>85,346</b>	<b>280,123</b>	<b>279,470</b>	<b>85,999</b>

See accompanying independent auditor's report.

## WEST HANCOCK COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Fund Types

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	
Revenues:						
Local sources:						
Local tax	3,188,365	3,247,797	3,498,064	3,171,524	3,124,363	3,243,080
Tuition	297,986	244,737	342,215	247,043	150,372	217,989
Other	488,352	442,352	264,035	423,495	355,892	400,506
Intermediate sources	1,748	-	-	-	-	-
State sources	2,881,183	2,697,853	2,702,514	2,819,160	2,811,629	2,413,933
Federal sources	194,666	153,903	205,533	141,044	195,169	155,909
Total revenues	<u>7,052,300</u>	<u>6,786,642</u>	<u>7,012,361</u>	<u>6,802,266</u>	<u>6,637,425</u>	<u>6,431,417</u>
Expenditures:						
Instruction:						
Regular instruction	2,249,274	2,128,263	2,220,720	2,137,232	2,073,955	2,308,112
Special instruction	752,191	795,804	920,024	686,697	1,053,412	870,581
Other instruction	1,067,698	992,975	594,807	651,426	342,178	539,338
Support services:						
Student services	46,998	42,210	71,626	87,727	113,202	127,996
Instructional staff services	134,296	103,088	102,827	135,273	100,670	73,170
Administration services	523,030	541,014	522,641	526,669	622,136	646,372
Operation and maintenance	679,686	673,542	645,838	682,518	698,966	701,754
Transportation services	363,139	269,509	244,828	273,447	301,623	239,613
Central support services	-	-	-	-	156,634	17,619
Non-instructional programs	12,650	17,028	861	139	50,296	25,518
Other expenditures:						
Facilities acquisition	229,686	124,880	365,207	386,909	364,656	4,074,016
Long-term debt:						
Principal	341,002	320,847	307,800	291,200	273,535	237,422
Interest and other charges	243,862	256,109	266,931	275,020	284,673	279,749
AEA flowthrough	221,704	208,064	203,795	197,990	193,975	207,842
Total expenditures	<u>6,865,216</u>	<u>6,473,333</u>	<u>6,467,905</u>	<u>6,332,247</u>	<u>6,629,911</u>	<u>10,349,102</u>

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384  
Clarion, IA 50525-0384  
(515)532-6681 Phone  
(515) 532-2405 Fax  
[BETCO@mchsi.com](mailto:BETCO@mchsi.com) E-mail

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
West Hancock Community School District:

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 West Hancock Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 1, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Hancock Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of West Hancock Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Hancock Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects West Hancock Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of West Hancock Community School District's financial statements that is more than inconsequential will not be prevented or detected by West Hancock Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by West Hancock Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 09-I-A, 09-I-B, 09-I-C and 09-I-D are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Hancock Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

West Hancock Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit West Hancock Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Hancock Community School District and other parties to whom West Hancock Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Hancock 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.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

February 1, 2010

West Hancock Community School District

Schedule of Findings and Responses

June 30, 2009

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Significant Deficiencies:

09-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important that District officials are aware that the condition exists.

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

Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

09-I-B Financial Reporting: During the audit, we identified material amounts of receivables from the prior year that had not been reversed, current year receivables that were understated, and current year payables not recorded in the District's financial records. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation: The District should implement procedures to compare year-end balance sheet account balances to lists of the receivables and payables that should be included in the total.

District Response: We will double check these in the future to avoid missing or overstating any receivables or payables.

Conclusion: Response accepted.

09-I-C Restatement of Beginning Fund Balances: The June 30, 2008 sales tax receivable balance was understated and the deferred revenue liability for cash collected in advance for food service sales was understated.

Recommendation: The District should implement procedures to review year-end balance sheets to ensure that all receivables and liabilities are included.

West Hancock Community School District

Schedule of Findings and Responses

June 30, 2009

Part I: Findings Related to the Financial Statements (continued):

District Response: We will double check these in the future to avoid missing any receivables or liabilities.

Conclusion: Response accepted.

09-I-D Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to co-sign checks. The board secretary, the other co-signer of the checks has access to the stamp. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to co-sign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

09-I-E Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

West Hancock Community School District

Schedule of Findings and Responses

June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

- 09-II-A Certified Budget: Expenditures for the year ended June 30, 2009 did not exceed the amounts budgeted.
- 09-II-B Questionable Expenditures: No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 09-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 09-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 09-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 09-II-F Board Minutes: We noted two Student Activity Fund disbursements that were not on the lists of bills approved by the board.

Recommendation: Chapter 179.29 of the Code of Iowa provides that "the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage, printing, and salaries without prior Board approval. This Board may, and has, approved a resolution designating certain other disbursements that may be paid prior to a Board Meeting with the approval of the Superintendent. All bills and salaries for which checks are issued prior to audit and allowance by the board must be passed upon by the board of directors at the next meeting and be entered in the regular minutes of the secretary.

District Response: The omission of these two items was an over-site. We will be more diligent in the future.

Conclusion: Response accepted.

- 09-II-G Certified Enrollment: Line 2 of the Certified Enrollment Certification Form for October 2008, was overstated by one student.

Recommendation: The District should review its procedures for compiling the lists of students to report for certified enrollment.

District Response: Starting with the October 2009 count the Department of Education has gone to a new system for reporting enrollment. This new system should eliminate most errors.

Conclusion: Response accepted.

West Hancock Community School District

Schedule of Findings and Responses

June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting (continued):

09-II-H 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.

09-II-I Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

09-II-J Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

09-II-K Statewide Sales and Services Tax: No instances of non-compliance with the use of the statewide sales and services 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 and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

	\$	\$
Beginning balance		-
Statewide sales and services tax revenue		359,170
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	174,351	
Debt service for school infrastructure:		
General obligation debt	184,819	359,170
	<u>          </u>	<u>          </u>
Ending balance		<u>          </u> -

West Hancock Community School District

Schedule of Findings and Responses

June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting (continued):

09-II-L Reclassification of Student Activity Fund Accounts: The Student Activity Fund is to be used to account for the District's extracurricular student activity program. We noted accounts for books and technology donations, accelerated reading and Junior High projects in the Student Activity Fund that may belong more appropriately in other funds.

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.

09-II-M Old outstanding checks: We noted that the District's bank reconciliations included approximately \$3,700 of old outstanding checks. Iowa Code Section 566 specifies that holders unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

Recommendation: The District should investigate the status of all old outstanding checks. Checks that were issued in error or in duplicate should be voided and removed from the list of outstanding checks. The District should search for the owners of all other outstanding checks, then, reissue new checks if the owners are found. If the owners can not be found, the District must file an unclaimed property report with and send the money to the Treasurer State of Iowa.

Response: We will begin investigating the status of old outstanding checks and we will file an unclaimed property report with the Treasurer of Iowa if necessary.

Conclusion: Response accepted.

09-II-N Signature on Checks: We noted that the superintendent signed School Nutrition Fund and Student Activity Fund checks. All District checks are to be signed by the Board President and Board Secretary. The Board may designate another individual to sign for the Board President. The District could not locate board authorization for a person other than the Board President to sign School Nutrition Fund and Activity Fund checks.

Recommendation: The District should revise its check signing procedures. If a person other than the Board President is allowed to sign checks, that person should be designated annually and that designation should be noted in the board minutes.

District Response: We will review our procedures and make any necessary changes to be in compliance with the Code of Iowa.

Conclusion: Response accepted.