

WEST HARRISON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-13
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 14
Statement of Activities	B 15
Governmental Fund Financial Statements:	
Balance Sheet	C 16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 17
Statement of Revenues, Expenditures and Changes in Fund Balances	E 18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 19
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 20
Statement of Revenues, Expenses and Changes in Net Assets	H 21
Statement of Cash Flows	I 22
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 23
Statement of Changes in Fiduciary Net Assets	K 24
Notes to Financial Statements	25-34
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	35
Notes to Required Supplementary Information - Budgetary Reporting	36
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 38
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 39
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4 40
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 <u>Government Auditing Standards</u>	41-42
Schedule of Findings	43-45

West Harrison Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Walter Utman	President	2008
Tammy Neill	Vice-President	2009
Kandy Forbes	Board Member	2010
Jeri Lynne Sheppard	Board Member	2009
Jason Sherer	Board Member	2010
Board of Education (After September 2008 Election)		
Jason Sherer	President	2011 *
Kandy Forbes	Vice-President	2009 *
Jeri Lynne Sheppard	Board Member	2009
Tammy Neill	Board Member	2009
Zach Olinger	Board Member (resigned)	2011
Brent Olson	Board Member (appointed)	2009
School Officials		
Richard Gerking	Superintendent	2009
Jane Roden	Board Secretary/ Treasurer	2009
Ahlers & Cooney, P.C.	Attorney	2009

* Board term extended/shortened per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
West Harrison 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 the West Harrison Community School District, Mondamin, 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 Harrison Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

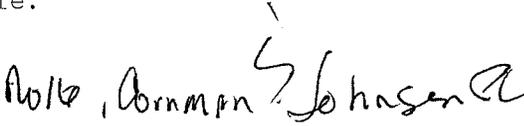
In accordance with Government Auditing Standards, we have also issued our report dated January 5, 2010 on our consideration of West Harrison Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 13 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

Members American Institute & Iowa Society of Certified Public Accountants

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 required 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 Harrison Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and 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.


NOLTE, CORNMAN & JOHNSON, P.C.

January 5, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Harrison 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.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,978,386 in fiscal 2008 to \$5,294,899 in fiscal 2009, and General Fund expenditures increased from \$4,961,985 in fiscal 2008 to \$4,998,069 in fiscal 2009. The District's General Fund balance increased from \$22,490 in fiscal 2008 to \$319,320 in fiscal 2009, a 1319.83% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local taxes and state revenue in fiscal 2009. The increase in expenditures was due primarily to increases in the regular instructional and student support services areas.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Harrison Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Harrison Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Harrison Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

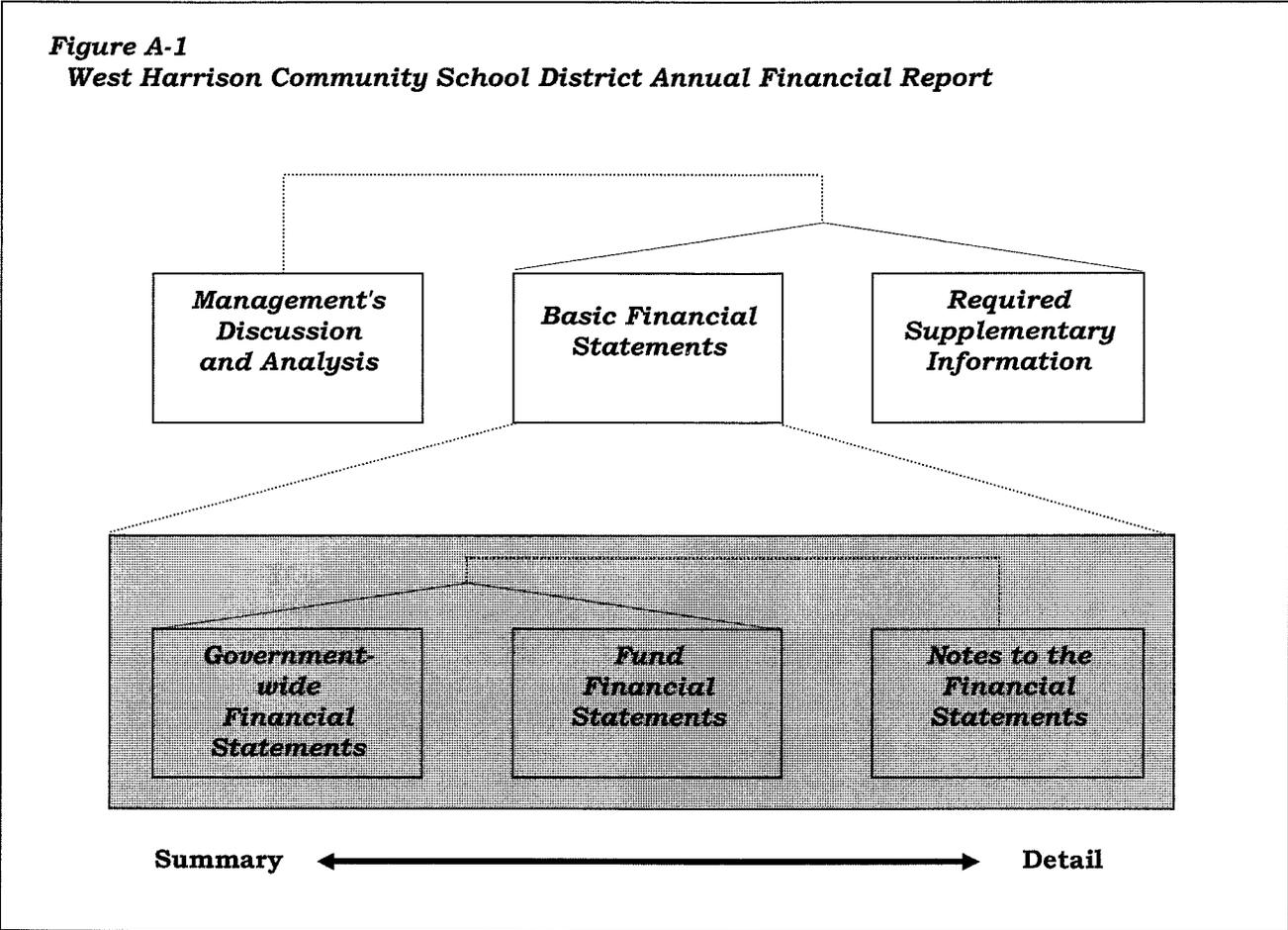


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary 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, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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 during the year or soon thereafter	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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net 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 financial 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 financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise 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 two enterprise funds, the School Nutrition Fund and Wellness Center.

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

- 3) *Fiduciary funds*: The District is a trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust funds.

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2009 compared to June 30, 2008.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current and other assets	\$ 6,583,061	6,025,770	4,514	7,527	6,587,575	6,033,297	9.19%
Capital assets	4,812,540	4,519,203	10,248	13,414	4,822,788	4,532,617	6.40%
Total assets	11,395,601	10,544,973	14,762	20,941	11,410,363	10,565,914	7.99%
Long-term obligations	1,521,374	1,817,868	0	0	1,521,374	1,817,868	-16.31%
Other liabilities	5,256,894	4,768,119	2,348	14,059	5,259,242	4,782,178	9.98%
Total liabilities	6,778,268	6,585,987	2,348	14,059	6,780,616	6,600,046	2.74%
Net assets:							
Invested in capital assets, net of related debt	3,412,540	2,799,203	10,248	13,414	3,422,788	2,812,617	21.69%
Restricted	752,827	1,013,237	0	0	752,827	1,013,237	-25.70%
Unrestricted	451,966	146,546	2,166	(6,532)	454,132	140,014	224.35%
Total net assets	\$ 4,617,333	3,958,986	12,414	6,882	4,629,747	3,965,868	16.74%

The District's combined net assets increased by 16.74%, or \$663,879, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$260,410, or 25.70% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$314,118 or 224.35%.

Figure A-4 shows the changes in net assets for the years ended June 30, 2009 and June 30, 2008.

Figure A-4							
Changes in Net Assets							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-2009
Revenues:							
Program revenues:							
Charges for services	\$ 333,015	356,982	131,358	114,166	464,373	471,148	-1.44%
Operating grants, contributions and restricted interest	805,685	681,044	115,751	109,323	921,436	790,367	16.58%
Capital grants, contributions and restricted interest	51,095	0	0	0	51,095	0	100.00%
General revenues:							
Property tax	2,244,889	2,141,255	0	0	2,244,889	2,141,255	4.84%
Income surtax	197,501	155,491	0	0	197,501	155,491	27.02%
Statewide sales and services tax	294,941	297,307	0	0	294,941	297,307	-0.80%
Unrestricted state grants	2,096,786	2,141,175	0	0	2,096,786	2,141,175	-2.07%
Unrestricted investment earnings	82,623	125,502	77	136	82,700	125,638	-34.18%
Other	82,386	18,531	0	0	82,386	18,531	344.58%
Total revenues	<u>6,188,921</u>	<u>5,917,287</u>	<u>247,186</u>	<u>223,625</u>	<u>6,436,107</u>	<u>6,140,912</u>	<u>4.81%</u>
Program expenses:							
Governmental activities:							
Instructional	3,503,069	3,337,146	0	0	3,503,069	3,337,146	4.97%
Support services	1,600,707	1,751,680	0	0	1,600,707	1,751,680	-8.62%
Non-instructional programs	0	0	241,654	218,298	241,654	218,298	10.70%
Other expenses	426,798	385,370	0	0	426,798	385,370	10.75%
Total expenses	<u>5,530,574</u>	<u>5,474,196</u>	<u>241,654</u>	<u>218,298</u>	<u>5,772,228</u>	<u>5,692,494</u>	<u>1.40%</u>
Change in net assets	658,347	443,091	5,532	5,327	663,879	448,418	48.05%
Beginning net assets	<u>3,958,986</u>	<u>3,515,895</u>	<u>6,882</u>	<u>1,555</u>	<u>3,965,868</u>	<u>3,517,450</u>	<u>12.75%</u>
Ending net assets	<u>\$ 4,617,333</u>	<u>3,958,986</u>	<u>12,414</u>	<u>6,882</u>	<u>4,629,747</u>	<u>3,965,868</u>	<u>16.74%</u>

Local tax and unrestricted state grants account for 75.11% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 88.42% of the total expenses.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues was due to the increase in local tax monies. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding will be ever fully realized with current law and funding structure as set by the legislature, and the mid-year reduction of funding on the part of the state.

The most significant fluctuation in expenditure levels will be caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements. With a declining enrollment comes lesser ability to fund various programs required by the state and constant evaluation of staffing needs becomes a priority. Even with certain staff reductions there may still be an increase in expenditures due to the salary and benefit requirements.

The District makes a continual effort to be a good steward of public funds and maintains a philosophy of providing the best education possible, exploring every avenue available to fund the programs, while making certain to keep watch for services that could be merged with other programs. The District saw an overall greater increase in revenues than the increase in expenditures, demonstrating an increase in the financial position for the year.

Governmental Activities

Revenues for governmental activities were \$6,188,921 and expenses were \$5,530,574. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services and other expenses.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
Instruction	\$ 3,503,069	3,337,146	4.97%	2,495,060	2,472,174	0.93%
Support services	1,600,707	1,751,680	-8.62%	1,599,904	1,749,786	-8.57%
Other expenses	426,798	385,370	10.75%	245,815	214,210	14.75%
Totals	<u>\$ 5,530,574</u>	<u>5,474,196</u>	<u>1.03%</u>	<u>4,340,779</u>	<u>4,436,170</u>	<u>-2.15%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District’s programs was \$333,015.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$856,780.
- The net cost of governmental activities was financed with \$2,442,390 in local tax, \$294,941 in statewide sales and services tax, \$2,096,786 in unrestricted state grants, \$82,623 in interest income and \$82,386 in other income.

Business Type Activities

Revenues of the District’s business type activities were \$247,186 and expenses were \$241,654. The District’s business type activities include the School Nutrition and Wellness Center Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and membership fees.

INDIVIDUAL FUND ANALYSIS

As previously noted, the West Harrison 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 \$1,175,106, above last year's ending fund balances of a \$1,113,499. The primary reason for the increase in combined fund balances in fiscal 2009 is due to the increase in local tax and decrease in support service expenditures during the fiscal year 2009.

Governmental Fund Highlights

- The increase in revenues was enough to offset the increase in expenditures during the fiscal year 2009, causing the General Fund balance to increase. The District's General Fund increased \$296,830. The increase is due primarily to an increase in local tax and state revenues.
- The District's General Fund ending balance is \$319,320. Of that amount, \$18,415 is reserved for categorical funding, \$300,000 is designated for cash reserve, and \$905 is undesignated/unreserved.
- The District's Physical Plant and Equipment Levy Fund decreased by \$65,250 due to a increase in student transportation expenditures.
- The District's Capital Projects Fund decreased by \$258,152. The decrease is due primarily to the increase in facilities acquisitions expenditures.
- The District's Management Levy Fund increased by \$83,356 due to the increase in local tax revenue.
- The District's Debt Service Fund increased by \$824.

Proprietary Fund Highlights

The Nutrition Fund net assets decreased from \$6,882 at June 30, 2008 to \$6,252 at June 30, 2009, representing an decrease of 9.15%. The Wellness Center ended the year at \$6,162.

BUDGETARY HIGHLIGHTS

Over the course of the year, West Harrison Community School District amended its budget one time to reflect additional expenditures associated with the Wellness Center building project.

The District's revenues were \$115,257 less than budgeted revenues, a variance of 1.76%. The most significant variance resulted from the District receiving less in state and federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. 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 actual expenditures for the year. During the year ended June 30, 2009 expenditures in the non-instructional programs functional area exceeded the amounts budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$4,822,788, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net

increase of 6.40% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$247,613.

The original cost of the District's capital assets was \$7,797,352. Governmental funds account for \$7,752,893 with the remainder of \$44,459 in the Proprietary funds.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2009, compared to \$24,485 reported at June 30, 2008. This decrease resulted from construction completed during the year.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$ 20,000	20,000	0	0	20,000	20,000	0.00%
Buildings	4,452,966	4,179,864	0	0	4,452,966	4,179,864	6.53%
Improvements other than buildings	32,282	35,198	0	0	32,282	35,198	-8.28%
Machinery and equipment	307,292	259,656	10,248	13,414	317,540	273,070	16.29%
Construction in Progress	0	24,485	0	0	0	24,485	-100.00%
Total	\$ 4,812,540	4,519,203	10,248	13,414	4,822,788	4,532,617	6.40%

Long-Term Debt

At June 30, 2009, the District had \$1,521,374 in general obligation and other long-term debt outstanding. This represents a decrease of 16.3% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$1,400,000 at June 30, 2009.

The District had early retirement payable of \$121,374 at June 30, 2009.

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-2009
General obligation bonds	\$ 1,400,000	1,720,000	-18.60%
Early retirement	121,374	97,868	24.02%
Totals	\$ 1,521,374	1,817,868	-16.31%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The district has experienced decreased enrollment, and the projected numbers are smaller for the next 4 to 5 years.
- Phase I funding was reduced subsequent to the District's Master Contract negotiations.

- With the September 25, 2009 ten percent across-the-board reduction, the District will continue to implement cost-saving measures and develop a plan for the remainder of the 2009/2010 year. The Board of Education will determine what cost-saving measures we will implement and how much we can spend from our reserves.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jane Roden, Business Manager, West Harrison Community School District, 410 Pine Street, Mondamin, Iowa, 51557.

BASIC FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP	\$ 2,281,240	0	2,281,240
Other	1,402,106	(2,914)	1,399,192
Receivables:			
Property tax:			
Delinquent	48,624	0	48,624
Succeeding year	2,412,101	0	2,412,101
Income surtax	155,203	0	155,203
Accounts	10,417	0	10,417
Accrued interest - ISCAP	7,474	0	7,474
Due from other governments	265,896	0	265,896
Inventories	0	7,428	7,428
Capital assets, net of accumulated depreciation	4,812,540	10,248	4,822,788
TOTAL ASSETS	11,395,601	14,762	11,410,363
LIABILITIES			
Accounts payable	35,293	0	35,293
Salaries and benefits payable	488,396	0	488,396
ISCAP warrants payable	2,248,000	0	2,248,000
ISCAP accrued interest payable	10,773	0	10,773
ISCAP unamortized premium	36,919	0	36,919
Accrued interest payable	4,142	0	4,142
Deferred revenue:			
Succeeding year property tax	2,412,101	0	2,412,101
Other	21,270	2,348	23,618
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	330,000	0	330,000
Early retirement payable	26,412	0	26,412
Portion due after one year:			
General obligation bonds payable	1,070,000	0	1,070,000
Early retirement payable	94,962	0	94,962
TOTAL LIABILITIES	6,778,268	2,348	6,780,616
NET ASSETS			
Invested in capital assets, net of related debt	3,412,540	10,248	3,422,788
Restricted for:			
Salary improvement program	506	0	506
Professional development, core curriculum	8,366	0	8,366
Professional development	9,543	0	9,543
Debt service	6,038	0	6,038
Capital projects	381,491	0	381,491
Physical plant and equipment levy	21,766	0	21,766
Management levy	54,071	0	54,071
Other special revenue purposes	271,046	0	271,046
Unrestricted	451,966	2,166	454,132
TOTAL NET ASSETS	\$ 4,617,333	12,414	4,629,747

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,508,948	154,753	597,893	51,095	(1,705,207)	0	(1,705,207)
Special	549,835	55,367	26,006	0	(468,462)	0	(468,462)
Other	444,286	122,895	0	0	(321,391)	0	(321,391)
	<u>3,503,069</u>	<u>333,015</u>	<u>623,899</u>	<u>51,095</u>	<u>(2,495,060)</u>	<u>0</u>	<u>(2,495,060)</u>
Support services:							
Student	169,778	0	0	0	(169,778)	0	(169,778)
Instructional staff	128,343	0	0	0	(128,343)	0	(128,343)
Administration	587,945	0	0	0	(587,945)	0	(587,945)
Operation and maintenance of plant	340,940	0	0	0	(340,940)	0	(340,940)
Transportation	373,701	0	803	0	(372,898)	0	(372,898)
	<u>1,600,707</u>	<u>0</u>	<u>803</u>	<u>0</u>	<u>(1,599,904)</u>	<u>0</u>	<u>(1,599,904)</u>
Other expenditures:							
Facilities and acquisitions	61,271	0	0	0	(61,271)	0	(61,271)
Long-term debt interest	56,863	0	0	0	(56,863)	0	(56,863)
AEA flowthrough	180,983	0	180,983	0	0	0	0
Depreciation(unallocated)*	127,681	0	0	0	(127,681)	0	(127,681)
	<u>426,798</u>	<u>0</u>	<u>180,983</u>	<u>0</u>	<u>(245,815)</u>	<u>0</u>	<u>(245,815)</u>
Total governmental activities	5,530,574	333,015	805,685	51,095	(4,340,779)	0	(4,340,779)
Business Type activities:							
Non-instructional programs:							
Wellness Center	0	6,162	0	0	0	6,162	6,162
Nutrition services	241,654	125,196	115,751	0	0	(707)	(707)
Total business type activities	<u>241,654</u>	<u>131,358</u>	<u>115,751</u>	<u>0</u>	<u>0</u>	<u>5,455</u>	<u>5,455</u>
Total	\$ 5,772,228	464,373	921,436	51,095	(4,340,779)	5,455	(4,335,324)
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,969,111	0	1,969,111
Debt service					227,619	0	227,619
Capital outlay					48,159	0	48,159
Income surtax					197,501	0	197,501
Statewide sales and services tax					294,941	0	294,941
Unrestricted state grants					2,096,786	0	2,096,786
Unrestricted investment earnings					82,623	77	82,700
Other general revenue					82,386	0	82,386
Total general revenues					<u>4,999,126</u>	<u>77</u>	<u>4,999,203</u>
Changes in net assets					658,347	5,532	663,879
Net assets beginning of year					3,958,986	6,882	3,965,868
Net assets end of year					<u>\$ 4,617,333</u>	<u>12,414</u>	<u>4,629,747</u>

* This amount excludes the depreciation that is included in the direct expense of various program.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Other Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments:			
ISCAP	\$ 2,281,240	0	2,281,240
Other	694,313	707,793	1,402,106
Receivables:			
Property tax:			
Delinquent	38,689	9,935	48,624
Succeeding year	1,950,060	462,041	2,412,101
Income surtax	155,203	0	155,203
Accounts	10,386	31	10,417
Accrued interest - ISCAP	7,474	0	7,474
Due from other governments	126,688	139,208	265,896
TOTAL ASSETS	\$ 5,264,053	1,319,008	6,583,061
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 34,112	1,181	35,293
Salaries and benefits payable	488,396	0	488,396
ISCAP warrants payable	2,248,000	0	2,248,000
ISCAP accrued interest payable	10,773	0	10,773
ISCAP unamortized premium	36,919	0	36,919
Deferred revenue:			
Succeeding year property tax	1,950,060	462,041	2,412,101
Income surtax	155,203	0	155,203
Other	21,270	0	21,270
Total liabilities	4,944,733	463,222	5,407,955
Fund balances:			
Reserved for:			
Categorical funding	18,415	0	18,415
Debt service	0	6,038	6,038
Unreserved:			
Designated for cash reserve	300,000	0	300,000
Undesignated	905	849,748	850,653
Total fund balances	319,320	855,786	1,175,106
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,264,053	1,319,008	6,583,061

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds (page 16)	\$	1,175,106
 <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 in the governmental funds.		4,812,540
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		155,203
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.		(4,142)
Long-term liabilities, including general obligation bonds and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(1,521,374)
		<hr style="width: 100%;"/>
Net assets of governmental activities (page 14)	\$	<u><u>4,617,333</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,977,621	753,641	2,731,262
Tuition	202,318	0	202,318
Other	207,917	134,009	341,926
State sources	2,650,550	303	2,650,853
Federal sources	251,618	0	251,618
Total revenues	<u>5,290,024</u>	<u>887,953</u>	<u>6,177,977</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	2,435,124	53,143	2,488,267
Special	549,359	0	549,359
Other	328,181	115,344	443,525
	<u>3,312,664</u>	<u>168,487</u>	<u>3,481,151</u>
Support services:			
Student	169,558	220	169,778
Instructional staff	131,851	0	131,851
Administration	589,944	0	589,944
Operation and maintenance of plant	322,439	45,621	368,060
Transportation	290,630	96,492	387,122
	<u>1,504,422</u>	<u>142,333</u>	<u>1,646,755</u>
Other expenditures:			
Facilities acquisitions	0	434,653	434,653
Long-term debt:			
Principal	0	320,000	320,000
Interest and fiscal charges	0	57,703	57,703
AEA flowthrough	180,983	0	180,983
	<u>180,983</u>	<u>812,356</u>	<u>993,339</u>
Total expenditures	<u>4,998,069</u>	<u>1,123,176</u>	<u>6,121,245</u>
Excess (deficiency) of revenues over (under) expenditures	<u>291,955</u>	<u>(235,223)</u>	<u>56,732</u>
Other financing sources(uses):			
Transfer in	0	150,000	150,000
Transfer out	0	(150,000)	(150,000)
Sale of equipment	4,875	0	4,875
Total other financing sources(uses)	<u>4,875</u>	<u>0</u>	<u>4,875</u>
Net change in fund balances	296,830	(235,223)	61,607
Fund balance beginning of year	22,490	1,091,009	1,113,499
Fund balance end of year	<u>\$ 319,320</u>	<u>855,786</u>	<u>1,175,106</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2009

Net change in fund balances - total governmental funds (page 18) \$ 61,607

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 453,238	
Depreciation expense	<u>(159,901)</u>	293,337

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 320,000

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. 840

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 6,069

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.

Early retirement (23,506)

Changes in net assets of governmental activities (page 15) \$ 658,347

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2009

	School Nutrition	Wellness Center	Total
ASSETS			
Cash and pooled investments	\$ (9,076)	6,162	(2,914)
Inventories	7,428	0	7,428
Capital assets, net of accumulated depreciation	10,248	0	10,248
TOTAL ASSETS	8,600	6,162	14,762
LIABILITIES			
Unearned revenue	2,348	0	2,348
TOTAL LIABILITIES	2,348	0	2,348
NET ASSETS			
Designated for special purpose	0	6,162	6,162
Invested in capital assets	10,248	0	10,248
Unrestricted	(3,996)	0	(3,996)
TOTAL NET ASSETS	\$ 6,252	6,162	12,414

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition	Wellness Center	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 125,196	6,162	131,358
Non-instructional programs:			
Food service operations:			
Salaries	79,994	0	79,994
Benefits	16,050	0	16,050
Services	83	0	83
Supplies	142,351	0	142,351
Other	10	0	10
Depreciation	3,166	0	3,166
TOTAL OPERATING EXPENSES	241,654	0	241,654
OPERATING INCOME (LOSS)	(116,458)	6,162	(110,296)
NON-OPERATING REVENUES:			
State sources	2,821	0	2,821
Federal sources	112,930	0	112,930
Interest on investments	77	0	77
TOTAL NON-OPERATING REVENUES	115,828	0	115,828
Change in net assets	(630)	6,162	5,532
Net assets beginning of year	6,882	0	6,882
Net assets end of year	\$ 6,252	6,162	12,414

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition	Wellness Center	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 125,935	0	125,935
Cash received from miscellaneous	0	6,162	6,162
Cash payments to employees for services	(96,044)	0	(96,044)
Cash payments to suppliers for goods or services	(126,744)	0	(126,744)
Net cash provided by (used in) operating activities	(96,853)	6,162	(90,691)
Cash flows from non-capital financing activities:			
State grants received	2,821	0	2,821
Federal grants received	96,494	0	96,494
Net cash provided by non-capital financing activities	99,315	0	99,315
Cash flows from investing activities:			
Interest on investments	77	0	77
Net increase in cash and cash equivalents	2,539	6,162	8,701
Cash and cash equivalents at beginning of year	(11,615)	0	(11,615)
Cash and cash equivalents at end of year	\$ (9,076)	6,162	(2,914)
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income (loss)	\$ (116,458)	6,162	(110,296)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	16,436	0	16,436
Depreciation	3,166	0	3,166
Increase in inventories	(736)	0	(736)
Decrease in accounts receivable	835	0	835
Decrease in unearned revenue	(96)	0	(96)
Net cash provided by(used in) operating activities	\$ (96,853)	6,162	(90,691)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ (9,076)	6,162	(2,914)
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
During the year ended June 30, 2009, the District received Federal commodities valued at \$16,436.			

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 15,360
Total assets	<u>15,360</u>
Liabilities	<u>0</u>
Net assets	
Reserved for scholarships	<u>\$ 15,360</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust
	Scholarship
Additions	
Local sources:	
Gifts and contributions	\$ 28,200
Interest income	1
Total additions	28,201
Deductions	
Instruction:	
Scholarships awarded	23,954
Change in net assets	4,247
Net assets beginning of year	11,113
Net assets end of year	\$ 15,360

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(1) **Summary of Significant Accounting Policies**

The West Harrison Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Mondamin, Iowa, and the predominate agricultural territory in Harrison and Monona 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 Harrison 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 Harrison Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do 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 Harrison and Monona Counties Assessors' 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 support.

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 that are attributed to the acquisition, construction, or improvement of those assets.

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

Unrestricted net asset consist of net assets that do not meet 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts 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 expenses, including instructional, support and other costs.

The District's proprietary funds include the non-major enterprise School Nutrition and Wellness Center Funds. The Nutrition fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's 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 nonoperating 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 Balances

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, they have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% 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, machinery, 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

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

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 on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been

served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

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 Balances - 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.

Designated Fund Balances - In the governmental fund financial statements, designated funds are not available for appropriation, but are set aside 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 in the non-instructional programs functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits 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 and the Treasurer of the State of Iowa; 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	<u>\$ 628,980</u>

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

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) 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. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09B	1/21/09	1/21/10	\$ 791,012	7,290	781,000	10,271
2009-10A	6/25/09	6/23/10	1,490,228	184	1,467,000	502
Total			\$ 2,281,240	7,474	2,248,000	10,773

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 that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity for the year ended June 30, 2009 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09A	\$ 0	600,000	600,000	0
2008-09B	0	150,000	150,000	0
Total	\$ 0	750,000	750,000	0

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

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

(4) Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 150,000</u>

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

(5) Capital Assets

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

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 20,000	0	0	20,000
Construction in progress	24,485	373,382	397,867	0
Total capital assets not being depreciated	<u>44,485</u>	<u>373,382</u>	<u>397,867</u>	<u>20,000</u>
Capital assets being depreciated:				
Buildings	5,915,899	397,867	0	6,313,766
Improvements other than buildings	199,637	0	0	199,637
Machinery and equipment	1,139,634	164,402	84,546	1,219,490
Total capital assets being depreciated	<u>7,255,170</u>	<u>562,269</u>	<u>84,546</u>	<u>7,732,893</u>
Less accumulated depreciation for:				
Buildings	1,736,035	124,765	0	1,860,800
Improvements other than buildings	164,439	2,916	0	167,355
Machinery and equipment	879,978	116,766	84,546	912,198
Total accumulated depreciation	<u>2,780,452</u>	<u>244,447</u>	<u>84,546</u>	<u>2,940,353</u>
Total capital assets being depreciated, net	<u>4,474,718</u>	<u>317,822</u>	<u>0</u>	<u>4,792,540</u>
Governmental activities capital assets, net	<u>\$ 4,519,203</u>	<u>691,204</u>	<u>397,867</u>	<u>4,812,540</u>
Business type activities:				
Machinery and equipment	\$ 44,459	0	0	44,459
Less accumulated depreciation	31,045	3,166	0	34,211
Business type activities capital assets, net	<u>\$ 13,414</u>	<u>(3,166)</u>	<u>0</u>	<u>10,248</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular		\$ 33,916
Special		476
Other		761
Support services:		
Instructional staff		4,716
Operation and maintenance of plant		3,295
Transportation		73,602
		<u>116,766</u>
Unallocated		<u>127,681</u>
Total depreciation expense - governmental activities		<u>\$ 244,447</u>
Business type activities:		
Food service operations		<u>\$ 3,166</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,720,000	0	320,000	1,400,000	330,000
Early retirement	97,868	48,443	24,937	121,374	26,412
Total	<u>\$ 1,817,868</u>	<u>48,443</u>	<u>344,937</u>	<u>1,521,374</u>	<u>356,412</u>

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of April 1, 2003			
	Interest Rates	Principal	Interest	Total
2010	3.30-3.40 %	\$ 330,000	46,980	376,980
2011	3.45-3.50	345,000	35,715	380,715
2012	3.55-3.65	355,000	23,551	378,551
2013	3.70-3.80	370,000	10,452	380,452
Total		<u>\$ 1,400,000</u>	<u>116,698</u>	<u>1,516,698</u>

Early Retirement

The District offered in prior years a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the difference of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay and the current year BA

Step I hiring base rate of pay. Early retirement benefits paid during the year ended June 30, 2009, totaled \$24,937.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 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 \$198,005, \$180,148, and \$166,615 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits

GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No.45.

(9) Risk Management

West Harrison 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.

(10) 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 \$180,983 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.

(11) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2009, expenditures in the non-instructional programs function exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,275,506	131,435	3,406,941	3,536,332	3,536,332	(129,391)
State sources	2,650,853	2,821	2,653,674	2,689,088	2,689,088	(35,414)
Federal sources	251,618	112,930	364,548	315,000	315,000	49,548
Total revenues	<u>6,177,977</u>	<u>247,186</u>	<u>6,425,163</u>	<u>6,540,420</u>	<u>6,540,420</u>	<u>(115,257)</u>
Expenditures/Expenses:						
Instruction	3,481,151	0	3,481,151	3,984,868	3,984,868	503,717
Support services	1,646,755	0	1,646,755	2,147,056	2,147,056	500,301
Non-instructional programs	0	241,654	241,654	239,236	239,236	(2,418)
Other expenditures	993,339	0	993,339	938,001	1,360,000	366,661
Total expenditures/expenses	<u>6,121,245</u>	<u>241,654</u>	<u>6,362,899</u>	<u>7,309,161</u>	<u>7,731,160</u>	<u>1,368,261</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	56,732	5,532	62,264	(768,741)	(1,190,740)	1,253,004
Other financing sources, net	4,875	0	4,875	5,000	5,000	(125)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	61,607	5,532	67,139	(763,741)	(1,185,740)	1,252,879
Balance beginning of year	1,113,499	6,882	1,120,381	1,074,656	1,074,656	45,725
Balance end of year	<u>\$ 1,175,106</u>	<u>12,414</u>	<u>1,187,520</u>	<u>310,915</u>	<u>(111,084)</u>	<u>1,298,604</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 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 functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$421,999.

During the year ended June 30, 2009 expenditures in the non-instructional programs functional area exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Special Revenue Funds							Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical		Total Special Revenue	Capital Projects	Debt Service	
			Plant and Equipment Levy	Expendable Trust				
ASSETS								
Cash and pooled investments	\$ 172,633	32,685	20,723	238,361	464,402	242,283	1,108	707,793
Receivables:								
Property tax:								
Current year delinquent	3,962	0	1,043	0	5,005	0	4,930	9,935
Succeeding year	85,000	0	49,661	0	134,661	0	327,380	462,041
Accounts	31	0	0	0	31	0	0	31
Due from other governments	0	0	0	0	0	139,208	0	139,208
TOTAL ASSETS	\$ 261,626	32,685	71,427	238,361	604,099	381,491	333,418	1,319,008
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 1,181	0	0	0	1,181	0	0	1,181
Deferred revenue:								
Succeeding year property tax	85,000	0	49,661	0	134,661	0	327,380	462,041
Total liabilities	86,181	0	49,661	0	135,842	0	327,380	463,222
Fund balances:								
Reserved for:								
Debt Service	0	0	0	0	0	0	6,038	6,038
Unreserved:								
Undesignated	175,445	32,685	21,766	238,361	468,257	381,491	0	849,748
Total fund balances	175,445	32,685	21,766	238,361	468,257	381,491	6,038	855,786
TOTAL LIABILITIES AND FUND BALANCES	\$ 261,626	32,685	71,427	238,361	604,099	381,491	333,418	1,319,008

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST HARRISON 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
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
REVENUES:								
Local sources:								
Local tax	\$ 182,922	0	48,159	0	231,081	294,941	227,619	753,641
Other	568	123,244	639	4,297	128,748	4,503	758	134,009
State sources	121	0	32	0	153	0	150	303
TOTAL REVENUES	183,611	123,244	48,830	4,297	359,982	299,444	228,527	887,953
EXPENDITURES:								
Current:								
Instruction:								
Regular	45,165	7,978	0	0	53,143	0	0	53,143
Other	0	115,344	0	0	115,344	0	0	115,344
Support services:								
Student	0	0	0	220	220	0	0	220
Operation and maintenance of plant	45,621	0	0	0	45,621	0	0	45,621
Student transportation	9,469	0	87,023	0	96,492	0	0	96,492
Other expenditures:								
Facilities acquisitions	0	0	27,057	0	27,057	407,596	0	434,653
Long-term debt:								
Principal	0	0	0	0	0	0	320,000	320,000
Interest and other charges	0	0	0	0	0	0	57,703	57,703
TOTAL EXPENDITURES	100,255	123,322	114,080	220	337,877	407,596	377,703	1,123,176
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER)								
EXPENDITURES	83,356	(78)	(65,250)	4,077	22,105	(108,152)	(149,176)	(235,223)
OTHER FINANCING SOURCES (USES):								
Transfer in	0	0	0	0	0	0	150,000	150,000
Transfer out	0	0	0	0	0	(150,000)	0	(150,000)
Total other financing sources(uses)	0	0	0	0	0	(150,000)	150,000	0
Net change in fund balances	83,356	(78)	(65,250)	4,077	22,105	(258,152)	824	(235,223)
FUND BALANCE BEGINNING OF YEAR	92,089	32,763	87,016	234,284	446,152	639,643	5,214	1,091,009
FUND BALANCE END OF YEAR	\$ 175,445	32,685	21,766	238,361	468,257	381,491	6,038	855,786

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 0	349	344	5
Author Visit	1,511	644	2,155	0
Danz Team	504	495	804	195
Yearbook	0	3,189	3,189	0
Summer Parade Prize Money	25	0	0	25
Athletic Fundraiser	421	27,525	27,946	0
Pop/Snack/Pen/Pencil	2,363	21,655	21,808	2,210
JH History Day	0	100	100	0
Cheerleaders	696	5,489	5,949	236
FCCLA	810	5,478	6,246	42
Red Cross Club	293	57	136	214
Drama	1,392	940	478	1,854
Drama Donations	250	0	0	250
Boys Summer League Basketball	541	5,192	3,240	2,493
Elem. Pictures	843	0	407	436
FFA	50	444	139	355
C.O.R.E. Fundraiser	46	0	0	46
Communications Video	92	0	0	92
Vocational Fundraiser	133	0	0	133
Choral & Senior Gowns	492	0	0	492
Dads N Donuts	455	300	710	45
National Honor Society	9	370	99	280
Ind Arts Marketing	156	0	0	156
Class of 2009	1,428	0	829	599
Class of 2010	0	21,105	18,245	2,860
Library Bean Bags	200	0	0	200
Instrumental Music	0	2,732	2,163	569
Instrumental Music Donations	121	0	0	121
Cross Country	20	302	303	19
Vocal Music	0	5,444	5,343	101
Vocal Donations	250	0	0	250
Scholarship	2	0	2	0
Science Bowl	150	0	0	150
Student Council	455	567	493	529
Softball Sign	1,444	1,102	1,910	636
JH Athletics	150	686	0	836
JH VB T-Shirt Account	0	2,765	2,243	522
Lift-A-Thon	6,397	1,674	1,982	6,089
Baseball	219	841	638	422
Football	317	0	134	183
Boys Track	795	0	0	795
Girls Track	364	870	854	380
Experiment in Intern. Living	9	2,000	0	2,009
Physics Field Trip	37	450	487	0
MS Student Council	695	1,250	874	1,071
Middle School Fundraiser	2,723	0	1,114	1,609
Elem. Fundraiser	195	0	48	147
SH Fundraiser	243	400	418	225
Boys Basketball	361	801	599	563
Volleyball	3,423	5,956	7,839	1,540
Fall Sports Fundraiser	140	0	0	140
Community Development	578	0	578	0
Elementary Skate Rental Fund	0	300	300	0
Dr. Seuss Celebration	200	150	123	227
Elementary AR Awards	0	750	571	179
Wrestling Cheerleading	765	872	1,482	155
Total	\$ 32,763	123,244	123,322	32,685

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 2,731,262	2,594,053	2,565,657	2,359,915	2,263,627	2,114,411
Tuition	202,318	213,257	174,225	256,689	282,570	351,140
Other	341,926	287,556	367,891	364,802	308,453	168,476
Intermediate sources	0	0	0	4,925	0	0
State sources	2,650,853	2,607,724	2,402,446	2,301,134	2,359,487	1,938,519
Federal sources	251,618	214,495	191,337	315,908	298,610	270,123
Total	\$ 6,177,977	5,917,085	5,701,556	5,603,373	5,512,747	4,842,669
Expenditures:						
Current:						
Instruction:						
Regular	\$ 2,488,267	2,379,525	2,093,567	1,880,985	1,850,542	1,676,106
Special	549,359	540,021	538,012	609,976	887,368	811,205
Other	443,525	401,250	532,667	523,656	386,208	374,496
Support services:						
Student	169,778	109,852	114,488	146,616	122,347	94,346
Instructional staff	131,851	147,795	152,391	198,741	130,832	123,822
Administration	589,944	625,889	589,785	545,057	561,189	566,158
Operation and maintenance of plant	368,060	414,043	383,166	379,808	416,196	365,320
Transportation	387,122	455,095	387,849	473,378	357,111	299,068
Non-instructional programs	0	0	0	0	24,719	5,406
Other expenditures:						
Facilities acquisitions	434,653	94,638	25,225	117,046	329,026	37,741
Long-term debt:						
Principal	320,000	315,000	305,000	300,000	295,000	260,000
Interest	57,703	67,191	75,382	82,283	87,976	115,506
AEA flow-through	180,983	171,160	160,022	154,145	154,609	139,940
Total	\$ 6,121,245	5,721,459	5,357,554	5,411,691	5,603,123	4,869,114

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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 the
West Harrison 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 Harrison Community School District 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 January 5, 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 Harrison Community School District 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 Harrison Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Harrison 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 Harrison 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 Harrison Community School District's financial statements that is more than inconsequential will not be prevented or detected by West Harrison Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings 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 Harrison 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 item I-A-09 is a material weakness.

Compliance and Other Matters

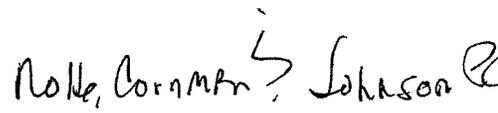
As part of obtaining reasonable assurance about whether West Harrison Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could 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.

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 Harrison Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit West Harrison 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 Harrison Community School District and other parties to whom West Harrison Community School District may report, including federal awarding agencies and pass-through entities. 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 Harrison 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.


NOLTE, CORNMAN & JOHNSON, P.C.

January 5, 2010

WEST HARRISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting

II-A-09 Certified Budget - District expenditures for the year ended June 30, 2009 exceeded the amount budgeted in the non-instructional programs functional area.

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

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted.

II-D-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Joyce Hall, Secretary Spouse of Owner of Hall Body Shop	Purchased services	\$303

In accordance with the Attorney General's opinion dated November 9, 1976 the above transactions with the spouse do not appear to represent a conflict of interest.

II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-09 Certified Enrollment - We noted that the number of basic resident student reported to the Iowa Department of Education on line 1 of the Certified Enrollment Certification Form for October 2008 was understated by 0.1 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will comply.

Conclusion - Response accepted.

II-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-09 Cash Given to Students - We noted during our audit of the Student Activity Fund that cash prizes were awarded to individual students for being top sellers for fund raisers.

Recommendation - Cash should not be given to students as fundraising prizes. If such rewards are given, the vendor supporting the District's fundraiser should issue checks to the students for the cash prizes. The District should not give cash as prizes.

Response - The District will not give cash as prizes to students. We will inform the vendors that any cash rewards will not be handled through the District's Student Activity Fund.

Conclusion - Response accepted.

II-K-09 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - We will comply by receiving written authorization from each employee.

Conclusion - Response accepted.

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

II-M-09 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		\$	0
Statewide sales and services tax revenue			294,941
Expenditure/Transfers Out:			
School infrastructure:			
Buildings	\$	144,941	
Debt service for school infrastructure:			
General obligation debt		150,000	294,941
			<hr/>
Ending Balance		\$	<u>0</u>

Levies reduced as a result of statewide sales and services tax received:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	<hr/>	<hr/>
Debt service levy	\$ 1.02762	\$ 150,000