

WEST HARRISON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

WEST HARRISON COMMUNITY SCHOOL DISTRICT

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West Harrison Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Jason Sherer	President	2011
Kandy Forbes	Vice-President	2009
Jeri Lynne Sheppard	Board Member	2009
Tammy Neill	Board Member	2009
Brent Olson	Board Member	2009

Board of Education (After September 2009 Election)		
Jason Sherer	President	2011
Brent Olson	Vice-President	2013
Tammy Neill	Board Member	2013
David Baxter	Board Member	2013
Kandy Forbes	Board Member	2011

School Officials

Dr. Tom Micek	Superintendent	2010
Jane Roden	Board Secretary/Treasurer	2010
Ahlers & Cooney, P.C.	Attorney	2010

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, 2010, 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, 2010, 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 7, 2011 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, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 39 through 41 are not required parts of the basic financial statements, but are supplementary information

required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 six years ended June 30, 2009 (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 7, 2011

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,294,899 in fiscal 2009 to \$5,143,098 in fiscal 2010, and General Fund expenditures decreased from \$4,998,069 in fiscal 2009 to \$4,961,490 in fiscal 2010. The District's General Fund balance increased from \$319,320 in fiscal 2009 to \$500,928 in fiscal 2010, a 56.87% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local and state revenue in fiscal 2010. The decrease in expenditures was due primarily to decreases 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-1
West Harrison Community School District Annual Financial Report

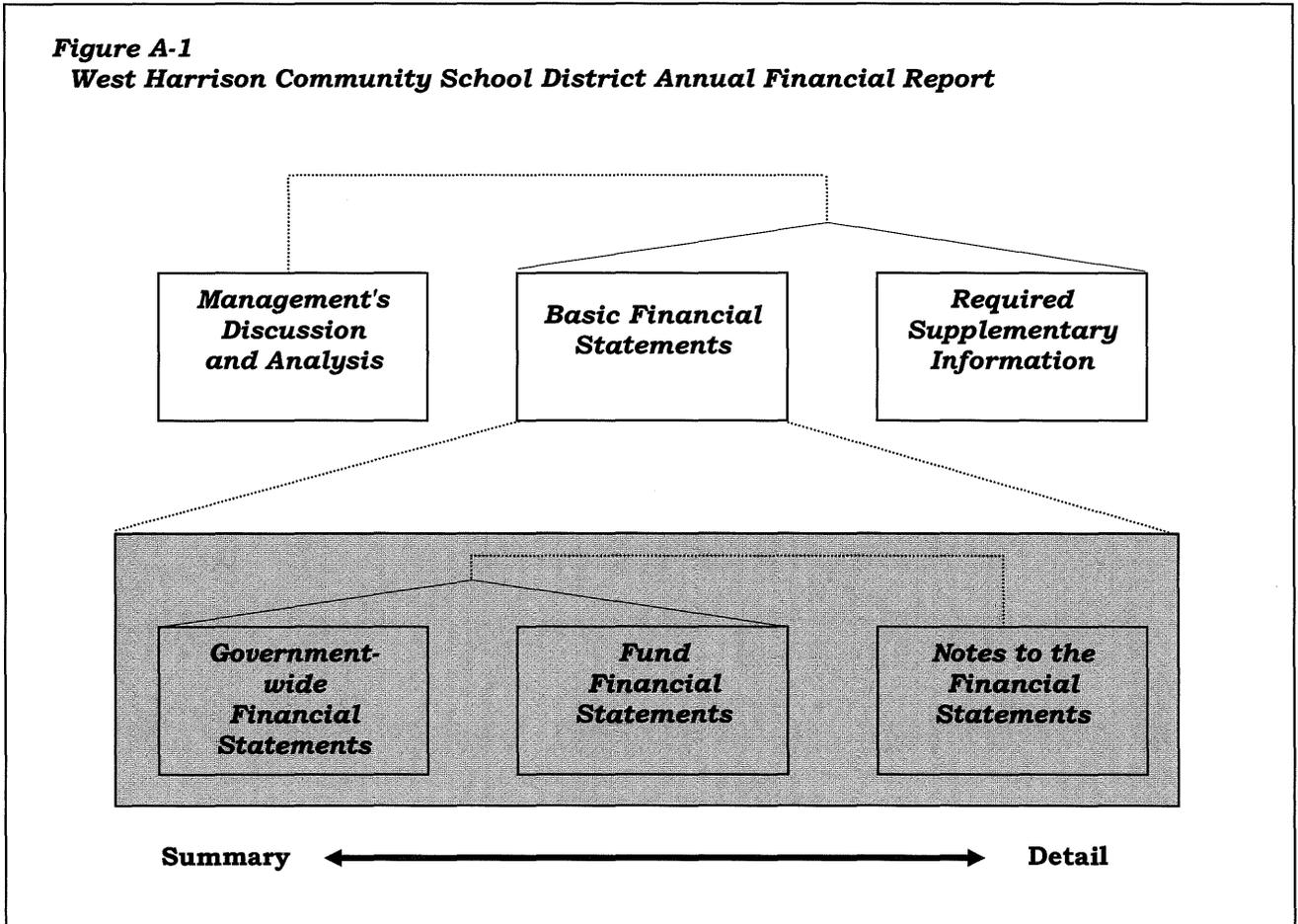


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary 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, 2010 compared to June 30, 2009.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	\$ 5,564,757	6,583,061	16,096	4,514	5,580,853	6,587,575	-15.28%
Capital assets	4,629,247	4,812,540	7,380	10,248	4,636,627	4,822,788	-3.86%
Total assets	10,194,004	11,395,601	23,476	14,762	10,217,480	11,410,363	-10.45%
Long-term obligations	2,253,964	1,521,374	0	0	2,253,964	1,521,374	48.15%
Other liabilities	3,327,279	5,256,894	1,798	2,348	3,329,077	5,259,242	-36.70%
Total liabilities	5,581,243	6,778,268	1,798	2,348	5,583,041	6,780,616	-17.66%
Net assets:							
Invested in capital assets, net of related debt	2,559,247	3,412,540	7,380	10,248	2,566,627	3,422,788	-25.01%
Restricted	1,448,103	752,827	0	0	1,448,103	752,827	92.36%
Unrestricted	605,411	451,966	14,298	2,166	619,709	454,132	36.46%
Total net assets	\$ 4,612,761	4,617,333	21,678	12,414	4,634,439	4,629,747	0.10%

The District's combined net assets increased by 0.10%, or \$4,692, 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 increased \$695,276, or 92.36% 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 \$165,577 or 36.46%.

Figure A-4 shows the changes in net assets for the years ended June 30, 2010 and June 30, 2009.

	Figure A-4 Changes in Net Assets						
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues:							
Program revenues:							
Charges for services	\$ 308,431	333,015	123,180	131,358	431,611	464,373	-7.06%
Operating grants, contributions and restricted interest	1,068,378	805,685	115,043	115,751	1,183,421	921,436	28.43%
Capital grants, contributions and restricted interest	0	51,095	0	0	0	51,095	100.00%
General revenues:							
Property tax	2,408,312	2,244,889	0	0	2,408,312	2,244,889	7.28%
Income surtax	191,648	197,501	0	0	191,648	197,501	-2.96%
Statewide sales and services tax	271,261	294,941	0	0	271,261	294,941	-8.03%
Unrestricted state grants	1,664,325	2,096,786	0	0	1,664,325	2,096,786	-20.62%
Unrestricted investment earnings	22,061	82,623	28	77	22,089	82,700	-73.29%
Other	100,302	82,386	0	0	100,302	82,386	21.75%
Total revenues	6,034,718	6,188,921	238,251	247,186	6,272,969	6,436,107	-2.53%
Program expenses:							
Governmental activities:							
Instructional	3,513,990	3,503,069	0	0	3,513,990	3,503,069	0.31%
Support services	1,640,879	1,600,707	0	0	1,640,879	1,600,707	2.51%
Non-instructional programs	0	0	228,987	241,654	228,987	241,654	-5.24%
Other expenses	884,421	426,798	0	0	884,421	426,798	107.22%
Total expenses	6,039,290	5,530,574	228,987	241,654	6,268,277	5,772,228	8.59%
Change in net assets	(4,572)	658,347	9,264	5,532	4,692	663,879	-99.29%
Beginning net assets	4,617,333	3,958,986	12,414	6,882	4,629,747	3,965,868	16.74%
Ending net assets	\$ 4,612,761	4,617,333	21,678	12,414	4,634,439	4,629,747	0.10%

Local tax and unrestricted state grants account for 62.71% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 82.73% 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 and grants. 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 \$6,034,718 and expenses were \$6,039,290. 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		
	2010	2009	Change 2009-2010	2010	2009	Change 2009-2010
Instruction	\$ 3,513,990	3,503,069	0.31%	2,335,753	2,495,060	-6.38%
Support services	1,640,879	1,600,707	2.51%	1,640,879	1,599,904	2.56%
Other expenses	884,421	426,798	107.22%	685,849	245,815	179.01%
Totals	<u>\$ 6,039,290</u>	<u>5,530,574</u>	<u>9.20%</u>	<u>4,662,481</u>	<u>4,340,779</u>	<u>7.41%</u>

For the year ended June 30, 2010:

- The cost financed by users of the District’s programs was \$308,431.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,068,378.
- The net cost of governmental activities was financed with \$2,599,960 in local tax, \$271,261 in statewide sales and services tax, \$1,664,325 in unrestricted state grants, \$22,061 in interest income and \$100,302 in other income.

Business Type Activities

Revenues of the District’s business type activities were \$238,251 and expenses were \$228,987. 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 \$2,049,385, above last year’s ending fund balances of a \$1,175,106. The primary reason for the increase in combined fund balances in fiscal 2010 is due to the increase in local tax and decrease in support service expenditures during the fiscal year 2010.

Governmental Fund Highlights

- The increase in revenues was enough to offset the increase in expenditures during the fiscal year 2010, causing the General Fund balance to increase. The District's General Fund increased \$181,608. The increase is due primarily to an increase in state revenue due to sharing dollars for operational sharing.
- The District's General Fund ending balance is \$500,928. Of that amount, \$46,194 is reserved for categorical funding, \$2,401 is designated, and \$452,333 is undesignated/unreserved.
- The District's Physical Plant and Equipment Levy Fund increased by \$24,187 due to a decrease in student transportation expenditures.
- The District's Capital Projects Fund increased by \$672,465. The increase is due primarily to the increase of an issuance of bonds.
- The District's Management Levy Fund decreased by \$867 due to the decrease in local tax revenue.
- The District's Debt Service Fund increased by \$259.

Proprietary Fund Highlights

The Nutrition Fund net assets increased from \$6,252 at June 30, 2009 to \$10,310 at June 30, 2010, representing an increase of 64.91%. The Wellness Center ended the year at \$11,368.

BUDGETARY HIGHLIGHTS

The District's revenues were \$1,578,847 less than budgeted revenues, a variance of 20.20%. 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$4,636,627, 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 decrease of 3.86% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$236,833.

The original cost of the District's capital assets was \$7,848,024. Governmental funds account for \$7,803,565 with the remainder of \$44,459 in the Proprietary funds.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The decreases that occurred during the year are attributable

to the District depreciating more dollars of machinery than the District purchased during the year.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 20,000	20,000	0	0	20,000	20,000	0.00%
Buildings	4,346,451	4,452,966	0	0	4,346,451	4,452,966	-2.39%
Improvements other than buildings	29,366	32,282	0	0	29,366	32,282	-9.03%
Machinery and equipment	233,430	307,292	7,380	10,248	240,810	317,540	-24.16%
Total	\$ 4,629,247	4,812,540	7,380	10,248	4,636,627	4,822,788	-3.86%

Long-Term Debt

At June 30, 2010, the District had \$2,253,964 in general obligation and other long-term debt outstanding. This represents an increase of 48.15% 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 \$1,070,000 at June 30, 2010.

The District had early retirement payable of \$146,548 at June 30, 2010.

The District had outstanding QZAB bonds of \$1,000,000 at June 30, 2010.

The District had net OPEB liability of \$37,416 at June 30, 2010.

	Total School District		Total Change
	June 30,		June 30,
	2010	2009	2009-2010
QZAB	\$ 1,000,000	0	100.00%
General obligation bonds	1,070,000	1,400,000	-23.57%
Early retirement	146,548	121,374	20.74%
Net OPEB liability	37,416	0	100.00%
Totals	\$ 2,253,964	1,521,374	48.15%

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. 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, 2010

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments:			
Other	2,413,003	5,644	2,418,647
Receivables:			
Property tax:			
Delinquent	44,365	0	44,365
Succeeding year	2,625,627	0	2,625,627
Income surtax	191,314	0	191,314
Accounts	524	0	524
Due from other governments	289,924	0	289,924
Inventories	0	10,452	10,452
Capital assets, net of accumulated depreciation	4,629,247	7,380	4,636,627
TOTAL ASSETS	10,194,004	23,476	10,217,480
LIABILITIES			
Accounts payable	125,367	0	125,367
Salaries and benefits payable	450,020	0	450,020
Accrued interest payable	3,221	0	3,221
Deferred revenue:			
Succeeding year property tax	2,625,627	0	2,625,627
Other	123,044	1,798	124,842
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	345,000	0	345,000
Early retirement payable	40,634	0	40,634
Portion due after one year:			
QZAB bonds payable	1,000,000	0	1,000,000
General obligation bonds payable	725,000	0	725,000
Early retirement payable	105,914	0	105,914
Net OPEB liability	37,416	0	37,416
TOTAL LIABILITIES	5,581,243	1,798	5,583,041
NET ASSETS			
Invested in capital assets, net of related debt	2,559,247	7,380	2,566,627
Restricted for:			
Categorical funding	46,194	0	46,194
Debt service	6,297	0	6,297
Capital projects	1,053,956	0	1,053,956
Physical plant and equipment levy	45,953	0	45,953
Management levy	28,030	0	28,030
Other special revenue purposes	267,673	0	267,673
Unrestricted	605,411	14,298	619,709
TOTAL NET ASSETS	\$ 4,612,761	21,678	4,634,439

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,467,112	134,706	774,124	(1,558,282)	0	(1,558,282)
Special	608,707	46,349	95,682	(466,676)	0	(466,676)
Other	438,171	127,376	0	(310,795)	0	(310,795)
	<u>3,513,990</u>	<u>308,431</u>	<u>869,806</u>	<u>(2,335,753)</u>	<u>0</u>	<u>(2,335,753)</u>
Support services:						
Student	133,784	0	0	(133,784)	0	(133,784)
Instructional staff	219,947	0	0	(219,947)	0	(219,947)
Administration	504,644	0	0	(504,644)	0	(504,644)
Operation and maintenance of plant	431,097	0	0	(431,097)	0	(431,097)
Transportation	351,407	0	0	(351,407)	0	(351,407)
	<u>1,640,879</u>	<u>0</u>	<u>0</u>	<u>(1,640,879)</u>	<u>0</u>	<u>(1,640,879)</u>
Other expenditures:						
Facilities and acquisitions	483,751	0	0	(483,751)	0	(483,751)
Long-term debt interest	46,459	0	0	(46,459)	0	(46,459)
AEA flowthrough	198,572	0	198,572	0	0	0
Depreciation (unallocated)*	135,639	0	0	(135,639)	0	(135,639)
Cost of Issuance of Bond	20,000	0	0	(20,000)	0	(20,000)
	<u>884,421</u>	<u>0</u>	<u>198,572</u>	<u>(685,849)</u>	<u>0</u>	<u>(685,849)</u>
Total governmental activities	6,039,290	308,431	1,068,378	(4,662,481)	0	(4,662,481)
Business Type activities:						
Non-instructional programs:						
Wellness Center	247	5,453	0	0	5,206	5,206
Nutrition services	228,740	117,727	115,043	0	4,030	4,030
Total business type activities	<u>228,987</u>	<u>123,180</u>	<u>115,043</u>	<u>0</u>	<u>9,236</u>	<u>9,236</u>
Total	\$ 6,268,277	431,611	1,183,421	(4,662,481)	9,236	(4,653,245)
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,031,907	0	2,031,907
Debt service				326,820	0	326,820
Capital outlay				49,585	0	49,585
Income surtax				191,648	0	191,648
Statewide sales, service and use tax				271,261	0	271,261
Unrestricted state grants				1,664,325	0	1,664,325
Unrestricted investment earnings				22,061	28	22,089
Other general revenue				100,302	0	100,302
Total general revenues				<u>4,657,909</u>	<u>28</u>	<u>4,657,937</u>
Changes in net assets				(4,572)	9,264	4,692
Net assets beginning of year				4,617,333	12,414	4,629,747
Net assets end of year				\$ 4,612,761	21,678	4,634,439

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2010

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments:					
Other	\$ 940,531	986,615	172	485,685	2,413,003
Receivables:					
Property tax:					
Delinquent	35,721	0	6,125	2,519	44,365
Succeeding year	2,115,268	0	381,115	129,244	2,625,627
Income surtax	191,314	0	0	0	191,314
Accounts	524	0	0	0	524
Due from other governments	150,678	139,246	0	0	289,924
TOTAL ASSETS	\$ 3,434,036	1,125,861	387,412	617,448	5,564,757
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 53,462	71,905	0	0	125,367
Salaries and benefits payable	450,020	0	0	0	450,020
Deferred revenue:					
Succeeding year property tax	2,115,268	0	381,115	129,244	2,625,627
Income surtax	191,314	0	0	0	191,314
Other	123,044	0	0	0	123,044
Total liabilities	<u>2,933,108</u>	<u>71,905</u>	<u>381,115</u>	<u>129,244</u>	<u>3,515,372</u>
Fund balances:					
Reserved for:					
Categorical funding	46,194	0	0	0	46,194
Unreserved:					
Designated	2,401	0	0	0	2,401
Undesignated	452,333	1,053,956	6,297	488,204	2,000,790
Total fund balances	<u>500,928</u>	<u>1,053,956</u>	<u>6,297</u>	<u>488,204</u>	<u>2,049,385</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,434,036	1,125,861	387,412	617,448	5,564,757

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, 2010

Total fund balances of governmental funds (page 17)	\$	2,049,385
 <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.		4,629,247
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		191,314
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.		(3,221)
Long-term liabilities, including general obligation bonds QZAB, early retirement, and other postemployment benefits, are not due and payable in the current period and, therefore , are not reported as liabilities in the governmental funds.		<u>(2,253,964)</u>
Net assets of governmental activities (page 15)	\$	<u>4,612,761</u>

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,102,592	271,261	326,820	134,437	2,835,110
Tuition	181,055	0	0	0	181,055
Other	163,630	1,029	618	121,061	286,338
State sources	2,237,861	0	201	82	2,238,144
Federal sources	457,960	0	0	0	457,960
Total revenues	5,143,098	272,290	327,639	255,580	5,998,607
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,384,497	0	0	33,865	2,418,362
Special	608,499	0	0	0	608,499
Other	323,166	0	0	107,657	430,823
	3,316,162	0	0	141,522	3,457,684
Support services:					
Student	131,854	0	0	598	132,452
Instructional staff	177,584	44,887	0	0	222,471
Administration	500,506	0	0	0	500,506
Operation and maintenance of plant	365,329	0	0	55,465	420,794
Transportation	271,483	0	0	18,027	289,510
	1,446,756	44,887	0	74,090	1,565,733
Other expenditures:					
Facilities acquisitions	0	484,938	0	20,021	504,959
Long-term debt:					
Principal	0	0	330,000	0	330,000
Interest and fiscal charges	0	0	47,380	0	47,380
AEA flowthrough	198,572	0	0	0	198,572
	198,572	484,938	377,380	20,021	1,080,911
Total expenditures	4,961,490	529,825	377,380	235,633	6,104,328
Excess (deficiency) of revenues over (under) expenditures	181,608	(257,535)	(49,741)	19,947	(105,721)
Other financing sources (uses):					
Issuance of Bonds	0	1,000,000	0	0	1,000,000
Transfer in	0	0	50,000	0	50,000
Transfer out	0	(50,000)	0	0	(50,000)
Cost of Issuance of Bond	0	(20,000)	0	0	(20,000)
Total other financing sources (uses)	0	930,000	50,000	0	980,000
Net change in fund balances	181,608	672,465	259	19,947	874,279
Fund balance beginning of year	319,320	381,491	6,038	468,257	1,175,106
Fund balance end of year	\$ 500,928	1,053,956	6,297	488,204	2,049,385

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, 2010

Net change in fund balances - total governmental funds (page 19)	\$	874,279
 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	\$ 50,672	
Depreciation expense	<u>(233,965)</u>	(183,293)
 Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities in an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:		
Issued	(1,000,000)	
Repaid	<u>330,000</u>	(670,000)
 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.		
		921
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		
		36,111
 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	(25,174)	
Other postemployment benefits	<u>(37,416)</u>	<u>(62,590)</u>
 Changes in net assets of governmental activities (page 16)	 \$	 <u><u>(4,572)</u></u>

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2010

	School Nutrition	Wellness Center	Total
ASSETS			
Cash and pooled investments	\$ (5,724)	11,368	5,644
Inventories	10,452	0	10,452
Capital assets, net of accumulated depreciation	7,380	0	7,380
TOTAL ASSETS	12,108	11,368	23,476
LIABILITIES			
Unearned revenue	1,798	0	1,798
TOTAL LIABILITIES	1,798	0	1,798
NET ASSETS			
Invested in capital assets	7,380	0	7,380
Unrestricted	2,930	11,368	14,298
TOTAL NET ASSETS	\$ 10,310	11,368	21,678

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, 2010

	School Nutrition	Wellness Center	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 117,153	5,453	122,606
Miscellaneous	574	0	574
TOTAL OPERATING REVENUES	<u>117,727</u>	<u>5,453</u>	<u>123,180</u>
OPERATING EXPENSES:			
Support services:			
Operation and maintenance of plant services:			
Supplies	0	247	247
Non-instructional programs:			
Food service operations:			
Salaries	81,633	0	81,633
Benefits	15,689	0	15,689
Supplies	128,414	0	128,414
Other	136	0	136
Depreciation	2,868	0	2,868
TOTAL OPERATING EXPENSES	<u>228,740</u>	<u>247</u>	<u>228,987</u>
OPERATING INCOME (LOSS)	<u>(111,013)</u>	<u>5,206</u>	<u>(105,807)</u>
NON-OPERATING REVENUES:			
State sources	2,206	0	2,206
Federal sources	112,837	0	112,837
Interest on investments	28	0	28
TOTAL NON-OPERATING REVENUES	<u>115,071</u>	<u>0</u>	<u>115,071</u>
Change in net assets	4,058	5,206	9,264
Net assets beginning of year	<u>6,252</u>	<u>6,162</u>	<u>12,414</u>
Net assets end of year	<u>\$ 10,310</u>	<u>11,368</u>	<u>21,678</u>

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	School Nutrition	Wellness Center	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 117,177	0	117,177
Cash received from miscellaneous	0	5,453	5,453
Cash payments to employees for services	(97,322)	0	(97,322)
Cash payments to suppliers for goods or services	(111,389)	(247)	(111,636)
Net cash provided by (used in) operating activities	(91,534)	5,206	(86,328)
Cash flows from non-capital financing activities:			
State grants received	2,206	0	2,206
Federal grants received	92,652	0	92,652
Net cash provided by non-capital financing activities	94,858	0	94,858
Cash flows from investing activities:			
Interest on investments	28	0	28
Net increase in cash and cash equivalents	3,352	5,206	8,558
Cash and cash equivalents at beginning of year	(9,076)	6,162	(2,914)
Cash and cash equivalents at end of year	\$ (5,724)	11,368	5,644
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income (loss)	\$ (111,587)	5,206	(106,381)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	20,185	0	20,185
Depreciation	2,868	0	2,868
Increase in inventories	(3,024)	0	(3,024)
Decrease in unearned revenue	(550)	0	(550)
Net cash provided by(used in) operating activities	\$ (92,108)	5,206	(86,902)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$20,185.

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 13,060
Total assets	<u>13,060</u>
Liabilities	<u>0</u>
Net assets	
Reserved for scholarships	<u>\$ 13,060</u>

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust <u>Scholarship</u>
Additions	
Local sources:	
Gifts and contributions	\$ 18,200
Total additions	<u>18,200</u>
Deductions	
Instruction:	
Scholarships awarded	<u>20,500</u>
Change in net assets	(2,300)
Net assets beginning of year	<u>15,360</u>
Net assets end of year	<u>\$ 13,060</u>

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

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

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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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
Intangibles	25,000
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
Intangibles	5-20 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.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2010 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$970,692 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) Transfers

The detail of transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 50,000</u>

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

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant payments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-2010B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%.

For the year ended June 30, 2010, there were no borrowings or repayments by the District.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 20,000	0	0	20,000
Total capital assets not being depreciated	<u>20,000</u>	<u>0</u>	<u>0</u>	<u>20,000</u>
Capital assets being depreciated:				
Buildings	6,313,766	26,208	0	6,339,974
Improvements other than buildings	199,637	0	0	199,637
Machinery and equipment	1,219,490	24,464	0	1,243,954
Total capital assets being depreciated	<u>7,732,893</u>	<u>50,672</u>	<u>0</u>	<u>7,783,565</u>
Less accumulated depreciation for:				
Buildings	1,860,800	132,723	0	1,993,523
Improvements other than buildings	167,355	2,916	0	170,271
Machinery and equipment	912,198	98,326	0	1,010,524
Total accumulated depreciation	<u>2,940,353</u>	<u>233,965</u>	<u>0</u>	<u>3,174,318</u>
Total capital assets being depreciated, net	<u>4,792,540</u>	<u>(183,293)</u>	<u>0</u>	<u>4,609,247</u>
Governmental activities capital assets, net	<u>\$ 4,812,540</u>	<u>(183,293)</u>	<u>0</u>	<u>4,629,247</u>
Business type activities:				
Machinery and equipment	\$ 44,459	0	0	44,459
Less accumulated depreciation	34,211	2,868	0	37,079
Business type activities capital assets, net	<u>\$ 10,248</u>	<u>(2,868)</u>	<u>0</u>	<u>7,380</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular		\$ 11,893
Special		208
Other		7,348
Support services:		
Instructional staff		9,487
Operation and maintenance of plant		7,493
Transportation		61,897
		<u>98,326</u>
Unallocated		<u>135,639</u>
Total depreciation expense - governmental activities		<u>\$ 233,965</u>
Business type activities:		
Food service operations		<u>\$ 2,868</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
QZAB	\$ 0	1,000,000	0	1,000,000	0
General obligation bonds	1,400,000	0	330,000	1,070,000	345,000
Early retirement	121,374	51,586	26,412	146,548	40,634
Net OPEB liability	0	37,416	0	37,416	0
Total	\$ 1,521,374	1,089,002	356,412	2,253,964	385,634

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of April 1, 2003			
	Interest Rates	Principal	Interest	Total
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		\$ 1,070,000	69,718	1,139,718

Qualified Zone Academy Bonds

During the year ended June 30, 2010, the District issued zero interest Qualified Zone Academy Bonds (QZAB). Money is set aside within the Capital Projects fund by making annual deposits into a Bankers Trust escrow account that will be used to pay the indebtedness due December 1, 2025 of \$1,000,000.

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, 2010, totaled \$26,412.

(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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are

established by State statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$201,405, \$198,005, and \$180,148 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for the retirees and their spouses. There are 50 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 40,293
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>40,293</u>
Contributions made	<u>(2,877)</u>
Increase in net OPEB obligation	37,416
Net OPEB obligation beginning of year	<u>0</u>
Net OPEB obligation end of year	<u><u>\$ 37,416</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as December 15, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$2,877 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$40,293	7.14%	\$37,416

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$385,423, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$385,423. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,479,066 and the ratio of the UAAL to covered payroll was 15.5%.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The ultimate medical trend rate is 6% per year.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$435 per month. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(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 \$198,572 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Teacher Salary Supplement	\$ 22,182
Professional development, core curriculum	16,733
Professional development	7,279
Total	<u><u>\$ 46,194</u></u>

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, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,302,503	123,208	3,425,711	3,456,204	3,456,204	(30,493)
State sources	2,238,144	2,206	2,240,350	2,753,501	2,753,501	(513,151)
Federal sources	457,960	112,837	570,797	1,606,000	1,606,000	(1,035,203)
Total revenues	<u>5,998,607</u>	<u>238,251</u>	<u>6,236,858</u>	<u>7,815,705</u>	<u>7,815,705</u>	<u>(1,578,847)</u>
Expenditures/Expenses:						
Instruction	3,457,684	0	3,457,684	3,717,622	3,717,622	259,938
Support services	1,565,733	247	1,565,980	2,435,000	2,435,000	869,020
Non-instructional programs	0	228,740	228,740	258,382	258,382	29,642
Other expenditures	1,080,911	0	1,080,911	2,260,113	2,260,113	1,179,202
Total expenditures/expenses	<u>6,104,328</u>	<u>228,987</u>	<u>6,333,315</u>	<u>8,671,117</u>	<u>8,671,117</u>	<u>2,337,802</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(105,721)	9,264	(96,457)	(855,412)	(855,412)	758,955
Other financing sources, net	980,000	0	980,000	0	0	980,000
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	874,279	9,264	883,543	(855,412)	(855,412)	1,738,955
Balance beginning of year	1,175,106	12,414	1,187,520	861,140	861,140	326,380
Balance end of year	<u>\$ 2,049,385</u>	<u>21,678</u>	<u>2,071,063</u>	<u>5,728</u>	<u>5,728</u>	<u>2,065,335</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WEST HARRISON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN (IN THOUSANDS)
 REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 385	385	0.0%	\$ 2,479	15.5%

See Note 8 in the accompanying Notes to Financial Statements for the plan description funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Special Revenue Funds				Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Other Nonmajor Governmental Funds
ASSETS					
Cash and pooled investments	\$ 172,988	26,931	45,024	240,742	485,685
Receivables:					
Property tax:					
Current-year delinquent	1,590	0	929	0	2,519
Succeeding year	75,000	0	54,244	0	129,244
TOTAL ASSETS	\$ 249,578	26,931	100,197	240,742	617,448
LIABILITIES AND FUND BALANCES					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	\$ 75,000	0	54,244	0	129,244
Total liabilities	75,000	0	54,244	0	129,244
Fund balances:					
Unreserved:					
Undesignated	174,578	26,931	45,953	240,742	488,204
Total fund balances	174,578	26,931	45,953	240,742	488,204
TOTAL LIABILITIES AND FUND BALANCES	\$ 249,578	26,931	100,197	240,742	617,448

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010

	Special Revenue Funds				
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue
REVENUES:					
Local sources:					
Local tax	\$ 84,852	0	49,585	0	134,437
Other	2,711	115,257	114	2,979	121,061
State sources	52	0	30	0	82
TOTAL REVENUES	87,615	115,257	49,729	2,979	255,580
EXPENDITURES:					
Current:					
Instruction:					
Regular	20,511	13,354	0	0	33,865
Other	0	107,657	0	0	107,657
Support services:					
Student	0	0	0	598	598
Operation and maintenance of plant	55,465	0	0	0	55,465
Student transportation	12,506	0	5,521	0	18,027
Other expenditures:					
Facilities acquisitions	0	0	20,021	0	20,021
TOTAL EXPENDITURES	88,482	121,011	25,542	598	235,633
Net change in fund balances	(867)	(5,754)	24,187	2,381	19,947
FUND BALANCE BEGINNING OF YEAR	175,445	32,685	21,766	238,361	468,257
FUND BALANCE END OF YEAR	\$ 174,578	26,931	45,953	240,742	488,204

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, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 1,854	1,157	872	2,139
Drama Donations	250	0	0	250
Speech	0	110	110	0
Vocal Music	101	3,623	3,724	0
Vocal Donations	250	0	0	250
Instrumental Music	569	1,257	1,728	98
Instrumental Music Donations	121	100	0	221
Cross Country	19	307	326	0
Boys Basketball	563	0	60	503
Football	183	7,188	4,380	2,991
Baseball	422	4,067	3,381	1,108
Boys Track	795	0	795	0
Volleyball	1,540	2,321	1,958	1,903
Girls Track	380	986	998	368
Interest	5	57	60	2
Dance Team	195	206	0	401
Yearbook	0	5,337	5,337	0
Summer Parade Prize Money	25	0	25	0
Athletic Fundraiser	0	31,936	31,936	0
Pop/Snack/Pen/Pencil	2,210	9,817	12,027	0
JH History Day	0	590	590	0
Cheerleaders	236	3,129	3,260	105
Red Cross Club	214	0	120	94
FCCLA	42	12,765	12,807	0
Boys Summer League Basketball	2,493	1,200	3,693	0
Elem. Pictures	436	0	436	0
FFA	355	2,251	2,290	316
Wrestling Cheerleading	155	662	602	215
C.O.R.E. Fundraiser	46	0	0	46
Communications Video	92	0	2	90
Vocational Fundraiser	133	0	0	133
Library Bean Bags	200	0	0	200
Choral & Senior Gowns	492	0	(599)	1,091
Science Bowl	150	0	0	150
National Honor Society	280	510	626	164
Ind Arts Marketing	156	180	179	157
Class of 2013	600	33	600	33
Class of 2010	2,860	512	3,372	0
Class of 2011	0	15,189	11,860	3,329
Physics Field Trip	0	125	0	125
Student Council	529	752	504	777
Softball Sign	636	0	636	0
JH Athletics	836	0	836	0
JH VB T-Shirt Account	522	4,372	4,376	518
Lift-A-Thon	6,088	1,822	1,319	6,591
Fall Sports Fundraiser	140	0	140	0
Dads N Donuts	45	200	0	245
Dr. Seuss Celebration	227	150	144	233
Elementary AR Awards	179	450	381	248
Experiment in Intern. Living	2,009	0	2,000	9
Elementary Skate Rental Fund	0	300	300	0
MS Student Council	1,071	877	367	1,581
Middle School Fundraiser	1,609	0	1,509	100
Elem. Fundraiser	147	719	719	147
SH Fundraiser	225	0	225	0
Total	\$ 32,685	115,257	121,011	26,931

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 SEVEN YEARS

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 2,835,110	2,731,262	2,594,053	2,565,657	2,359,915	2,263,627	2,114,411
Tuition	181,055	202,318	213,257	174,225	256,689	282,570	351,140
Other	286,338	341,926	287,556	367,891	364,802	308,453	168,476
Intermediate sources	0	0	0	0	4,925	0	0
State sources	2,238,144	2,650,853	2,607,724	2,402,446	2,301,134	2,359,487	1,938,519
Federal sources	457,960	251,618	214,495	191,337	315,908	298,610	270,123
Total	\$ 5,998,607	6,177,977	5,917,085	5,701,556	5,603,373	5,512,747	4,842,669
Expenditures:							
Current:							
Instruction:							
Regular	\$ 2,418,362	2,488,267	2,379,525	2,093,567	1,880,985	1,850,542	1,676,106
Special	608,499	549,359	540,021	538,012	609,976	887,368	811,205
Other	430,823	443,525	401,250	532,667	523,656	386,208	374,496
Support services:							
Student	132,452	169,778	109,852	114,488	146,616	122,347	94,346
Instructional staff	222,471	131,851	147,795	152,391	198,741	130,832	123,822
Administration	500,506	589,944	625,889	589,785	545,057	561,189	566,158
Operation and maintenance of plant	420,794	368,060	414,043	383,166	379,808	416,196	365,320
Transportation	289,510	387,122	455,095	387,849	473,378	357,111	299,068
Non-instructional programs	0	0	0	0	0	24,719	5,406
Other expenditures:							
Facilities acquisitions	504,959	434,653	94,638	25,225	117,046	329,026	37,741
Long-term debt:							
Principal	330,000	320,000	315,000	305,000	300,000	295,000	260,000
Interest	47,380	57,703	67,191	75,382	82,283	87,976	115,506
AEA flow-through	198,572	180,983	171,160	160,022	154,145	154,609	139,940
Total	\$ 6,104,328	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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 7, 2011. 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over financial reporting described in Part I of the accompanying Schedule of Findings as item I-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as item I-B-10 to be a significant deficiency.

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, 2010 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 7, 2011

WEST HARRISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-10 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 – The District will investigate available alternatives and implement changes as soon as possible.

Conclusion – Response accepted.

I-B-10 Scholarship Checks – We noted during our audit that when the District writes checks for scholarship awards, the check is written to the student only.

Recommendation – A better practice would be for the District to write the check to the individual and the college/university the student is attending once the student has supplied proof of attendance to the District

Response –Scholarship checks will be written to the college/university and the individual.

Conclusion – Response accepted.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part II: Other Findings Related to Required Statutory Reporting

- II-A-10 Certified Budget - District expenditures for the year ended June 30, 2010 did not exceed the certified amounts in the functional areas.
- II-B-10 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-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted.
- II-D-10 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	\$4,751

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-10 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-10 Board Minutes - No instances of non-compliance with regards to section 279.35 of the Code of Iowa were noted.
- II-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-10 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-J-10 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-K-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-10 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, 2010, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales, services and use tax			271,261
Expenditure/Transfers Out:			
School infrastructure:			
Buildings	\$	221,261	
Debt service for school infrastructure:			
General obligation debt		50,000	271,261
			<u>271,261</u>
Ending Balance		\$	<u>0</u>

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010 the District reduced the following levy:

	Valuation		Dollars
Debt service levy	\$ 0.33225	\$	50,000

II-M-10 Checks Outstanding - We noted during our audit, that the District had checks included in the bank reconciliations that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District will comply with the recommendation provided and report the unclaimed checks to the State Treasurer.

Conclusion - Response accepted.

II-N-10 Employee Reimbursement - During our audit, we noted the District reimbursed an employee \$21,138.79 for purchased computer equipment.

Recommendation - A better practice would be to write the check to the vendor for such a purchase once the purchase has been approved.

Response - Procedures have been established to ensure the District follows the recommendation.

Conclusion - Response accepted.

II-O-10 Inappropriate Transfers - We noted transfers from the General Fund to the Student Activity Fund. The District has no authority to transfer General fund money to the Student Activity fund to cover deficits.

Recommendation - In the future, the District should only provide a transfer from General fund to the Student Activity fund for the amount of allowable invoices paid. The District should review purchase procedures and ensure that only appropriate purchases are made from each fund.

Response - The administration will monitor the Student Activity Fund before approving purchase orders or expenditures.

Conclusion - Response accepted.