

**WEST HANCOCK COMMUNITY SCHOOL DISTRICT
BRITT, IOWA**

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

YEAR ENDED JUNE 30, 2011

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**West Hancock Community School District
Britt, Iowa**

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Jay Burgardt	President	2013
Paul Kumsher	Vice President	2011
Darla Yeakel	Board Member	2011
Darin Eckels	Board Member	2011
Kristi Gast	Board Member	Resigned
Gary Chizek	Board Member	2013
Murray Quastad	Board Member	2013
Ryan Johnson	Board Member (Appointed)	2011
School Officials		
Richard Keith	Superintendent	2011
Mona Buns	District Secretary/Treasurer and Business Manager	Indefinite
Rick Engel	Attorney	Indefinite

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Hancock Community School District, Britt, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Hancock Community School District at June 30, 2011 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2012 on our consideration of West Hancock Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 14 and 46 through 49 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 Hancock 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 year ended June 30, 2010 and the four years ended June 30, 2008 (none of which is presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2009 (which is not presented herein) was audited by other auditors who expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, 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.

Cornwell, Frideres, Maher & Associates, P.L.C.
Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

February 20, 2012

Management Discussion and Analysis

The West Hancock Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- General Fund revenues for fiscal 2011 were \$5,841,394 while General Fund expenditures were \$5,810,453; this resulted in an increase in the District's General Fund balance from \$1,588,530 in fiscal 2010 to \$1,619,471 in fiscal 2011, or a \$30,941 increase from the prior year.
- The increase in General Fund balance was attributable to the increase in certified enrollment, with that comes more state aid.

Overview of the Financial Statements

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

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

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

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

Figure A-1

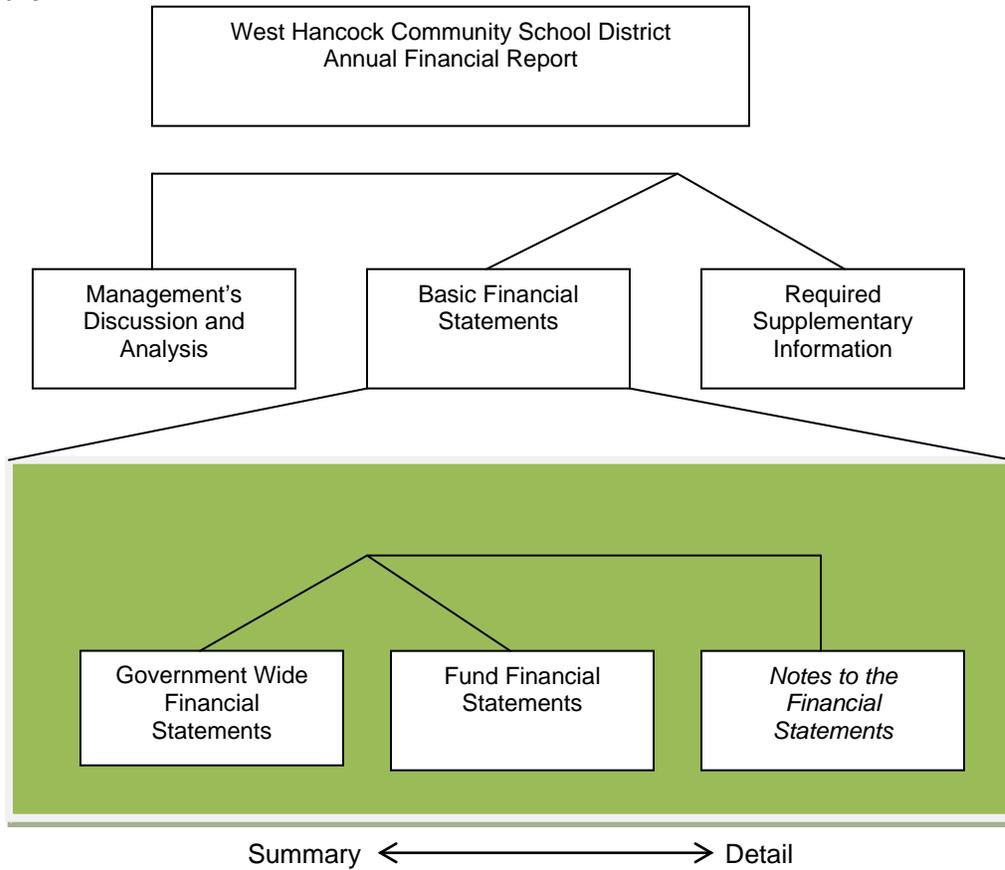


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

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

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

Financial Analysis of the District as a Whole

Net assets. - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2011, compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets (in millions of dollars) June 30, 2011

	Governmental		Business-type		Total	
	Activities		Activities		School District	
	2011	2010	2011	2010	2011	2010
Current and other assets	12.025	8.642	.114	.123	12.139	8.765
Capital assets	9.643	8.401	.041	.028	9.684	8.429
Total assets	21.668	17.043	.155	.151	21.823	17.194
Long-term debt outstanding	11.479	7.025	-	-	11.479	7.025
Other liabilities	3.785	3.906	.008	.007	3.793	3.913
Total liabilities	15.264	10.931	.008	.007	15.272	10.938
Net assets						
Invested in capital assets, net of related debt	2.678	1.045	.41	.028	2.719	2.954
Restricted	1.381	1.413	-	-	1.381	1.078
Unrestricted	2.345	3.654	.106	.116	2.451	2.339
Total net assets	6.404	6.112	.147	.144	6.551	6.371

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2011.

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

	Governmental Activities		Business-type Activities		Total School District	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
Program revenues						
Charges for services	.552	.427	.120	.121	.672	.548
Operating Grants & Contributions	1.045	1.066	.174	.164	1.219	1.230
Capital Grants & Contributions	.026	.012	-	-	.026	.012
General revenues						
Property Taxes & Other Local Taxes	3.453	3.302	-	-	3.453	3.302
Unrestricted State Aid	1.990	1.646	-	-	1.990	1.646
Other	.186	.111	-	-	.186	.111
Total revenues	7.252	6.564	.294	.285	7.546	6.849
Expenses						
Instruction	4.265	4.178	-	-	4.265	4.178
Support Services	1.689	1.658	-	-	1.689	1.658
Non-instructional programs	.000	.000	.292	.284	.292	.284
Other	.1.005	.845	-	-	1.005	.845
Total expenses	6.959	6.681	.292	.284	7.251	6.965
Increase (decrease) in net assets	.293	.574	.002	.026	..295	(.116)

Property tax, income surtax, sales taxes and state foundation aid account for 75 percent of the total revenue. The District's expenses primarily relate to instruction and support services that account for 82 percent of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,251,318 and expenses were \$6,958,949. This resulted in an increased budget balance.

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

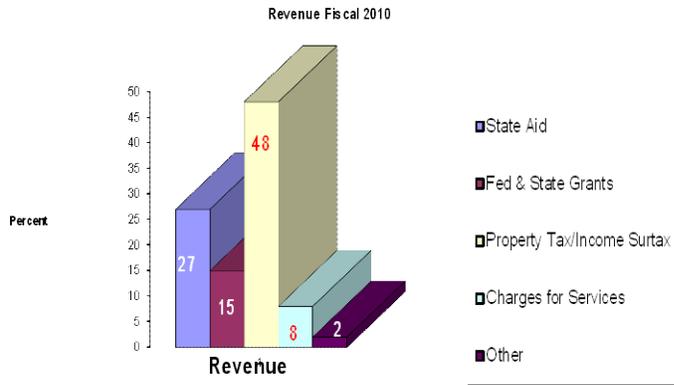


Figure A-6 The following graph presents the total Expenditures for the District’s major governmental activities: instruction, student & instructional services, administration & business operations & maintenance, transportation and AEA flow thru.

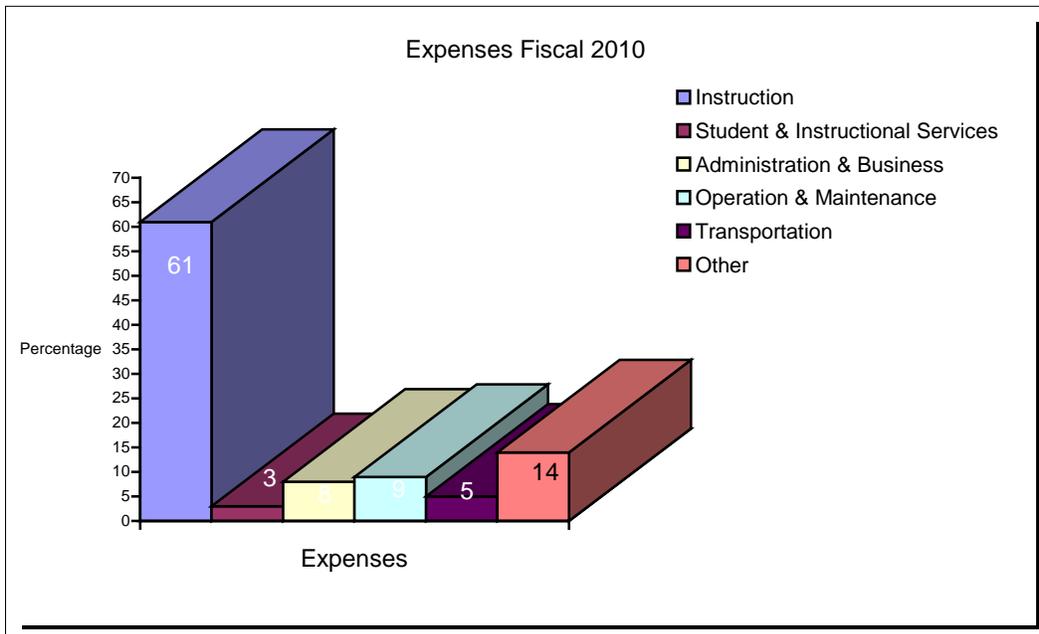


Figure A-7 presents the cost of six major district activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity’s *net cost* (total cost less fees generated by the activities and intergovernmental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

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

	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
Instruction	\$4.265	\$ 2.935
Pupil & Instructional Services	.192	.192
Administrative & Business	.555	.555
Maintenance & operations	.626	.600
Transportation	.315	.308
Other	1.005	.746
Total	\$ 6.958	\$ 5.336

- The cost of all governmental activities this year was \$6,958,949.
- Some of the cost was financed by the users of the District's programs in the amount of \$552,071
- The federal and state governments subsidized certain programs with grants and contributions \$1,070,577.
- Most of the District's costs were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$2,685,510 million in property taxes, \$427,529 of income surtax and 339,539 of sales tax \$1,989,867 of unrestricted state aid based on the statewide finance formula, and investment earnings.

Business Type Activities

Revenues from the District's business-type activities included charges for services in the amount of \$120,421 and \$174,253 from operating grants, contributions and restricted interest. Expenses from the District's business type activities amounted to \$292,127. The Hot Lunch program was the only Business Type Activity for the District during the 2011 school year.

Financial Analysis of the District's Funds

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balance of \$8,047,542 which is \$3,011,100 above last year's ending fund balances of 5,036,442.

Governmental Fund Highlights

The General Fund balance increased from \$1,588,530 to \$1,619,471 which was stable.

- The Debt Service Fund balance increased due to issuance of refunding bonds. See footnote #5 of the finance statements for additional details.
- The Capital projects fund decreased \$1,441,432 due to construction costs of the geothermal project.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$144,166 at June 30, 2010 to \$147,042 June 30, 2011. This has stayed fairly stable considering the fact that the Nutrition Fund acquired new equipment.

Budgetary Highlights

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

Legal Budgetary Highlights

The District's total actual receipts were approximately \$214,496 less than that budgeted receipts, which is a 2.8% variance.

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

Capital Asset and Debt Administration

Capital Assets

By the end of 2011 the District had invested \$9.6 million, in a broad range of assets, including school buildings, school infrastructure, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-8) **(More detailed information about capital assets can be found in Note 5 to the financial statements.)** Total depreciation expense for the year exceeded \$300,000.

Figure A-8

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

	Governmental Activities <u>2011</u>	Business Type Activities <u>2011</u>	Total School District <u>2011</u>
Land	0.013	0	0.013
Construction in progress	1.842	0	1.842
Buildings	7.121	0	7.121
Improvements	.192	0	.192
Equipment & Furniture	0.474	.042	0.516
	9.642	.042	9.684

Long-Term Debt

At year-end, the District had \$11,533,699 in general obligation bonds and other long-term debt outstanding. The district also incurred 4,435,000, due to issuance of refunding bonds. This represents an increase of 64.75% over the previous fiscal year as can be seen in Figure A-9 below.

Figure A-9
Outstanding Long-Term Debt (in millions of dollars)

	Total School District		Total Percentage Change
	<u>2011</u>	<u>2010</u>	<u>2010-11</u>
General Obligation bonds & notes (financed with property tax)	11.540	7.473	64.75
Other general obligation debt	.073	.046	.63
Total	11.613	7.519	64.75

Factors Bearing on the District's Future

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

- The district must expect and plan for a continued enrollment decline of approximately 6% over the next five years.
 1. This was an unusual year of increased enrollment.
 2. Small surrounding districts that may have to whole grade share or dissolve.
 3. The number of farms in Hancock County continues to decline
 4. Few new houses have been built in Britt or Kanawha in the past few years.
- Future state funding will be a major factor in the district's future
- State and Federal unfunded mandates.
- The degree to which the district will commit itself to effectively manage the fiscal matters of the district.

Contacting the District's Financial Management

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

Basic Financial Statements

West Hancock Community School District
 Britt, Iowa
 Statement of Net Assets
 June 30, 2011

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	8,677,602	100,285	8,777,887
Receivables:			
Property tax:			
Delinquent	25,725	-	25,725
Succeeding year	2,765,270	-	2,765,270
Accounts	1,911	-	1,911
Accrued interest	2,623	-	2,623
Due from other governments	552,001	-	552,001
Inventories	-	13,503	13,503
Capital assets, net of accumulated depreciation	9,642,917	41,666	9,684,583
Total assets	21,668,049	155,454	21,823,503
 Liabilities			
Accounts payable	265,857	201	266,058
Salaries and benefits payable	437,596	-	437,596
Accrued interest payable	102,545	-	102,545
Deferred revenue - succeeding year property tax	2,765,270	-	2,765,270
Deferred revenue - other	213,172	4,856	218,028
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	4,690,000	-	4,690,000
Revenue bonds	100,000	-	100,000
Notes payable	77,236	-	77,236
Compensated absences	9,546	-	9,546
Portion due after one year:			
General obligation bonds (net of \$27,858 unamortized discount)	3,912,142	-	3,912,142
Revenue bonds (net of \$15,682 unamortized discount)	2,489,318	-	2,489,318
Notes payable	131,463	-	131,463
Net OPEB Liability	69,715	3,355	73,070
Total liabilities	15,263,860	8,412	15,272,272

West Hancock Community School District
 Britt, Iowa
 Statement of Net Assets
 June 30, 2011

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Net assets			
Invested in capital assets, net of related debt	2,677,758	41,666	2,719,424
Restricted for:			
Categorical funding	161,433	-	161,433
Management levy	597,607	-	597,607
Physical plant and equipment levy	121,045	-	121,045
Other special revenue purposes	124,919	-	124,919
Debt service	376,792	-	376,792
Unrestricted	<u>2,344,635</u>	<u>105,376</u>	<u>2,450,011</u>
Total net assets	<u>\$ 6,404,189</u>	<u>147,042</u>	<u>6,551,231</u>

See notes to financial statements.

West Hancock Community School District
 Britt, Iowa
 Statement of Activities
 Year ended June 30, 2011

		Program Revenues		
<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,411,995	256,365	727,743	-
Special instruction	689,193	54,519	51,003	-
Other instruction	1,163,511	240,421	-	-
	<u>4,264,699</u>	<u>551,305</u>	<u>778,746</u>	<u>-</u>
Support services:				
Student services	61,019	-	-	-
Instructional staff services	131,002	-	-	-
Administration services	555,152	-	-	-
Operation and maintenance of plant	626,008	766	-	25,631
Transportation services	315,825	-	7,429	-
	<u>1,689,006</u>	<u>766</u>	<u>7,429</u>	<u>25,631</u>
Other expenditures:				
Facilities acquisition	182,556	-	-	-
Long-term debt interest	345,146	-	-	-
AEA flowthrough	258,771	-	258,771	-
Depreciation (unallocated)*	218,771	-	-	-
	<u>1,005,244</u>	<u>-</u>	<u>258,771</u>	<u>-</u>
Total governmental activities	6,958,949	552,071	1,044,946	25,631
Business type activities:				
Non-instructional programs:				
Food service operations	292,127	120,421	174,253	-
Total	<u>\$ 7,251,076</u>	<u>672,492</u>	<u>1,219,199</u>	<u>25,631</u>

General Revenues:

Property tax levied for:

- General purposes
- Debt service
- Capital outlay

Statewide sales, service and use tax

Income surtaxes

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
(1,427,887)	-	(1,427,887)
(583,671)	-	(583,671)
(923,090)	-	(923,090)
<u>(2,934,648)</u>	<u>-</u>	<u>(2,934,648)</u>
(61,019)	-	(61,019)
(131,002)	-	(131,002)
(555,152)	-	(555,152)
(599,611)	-	(599,611)
(308,396)	-	(308,396)
<u>(1,655,180)</u>	<u>-</u>	<u>(1,655,180)</u>
(182,556)	-	(182,556)
(345,146)	-	(345,146)
-	-	-
(218,771)	-	(218,771)
(746,473)	-	(746,473)
<u>(5,336,301)</u>	<u>-</u>	<u>(5,336,301)</u>
-	2,547	2,547
<u>(5,336,301)</u>	<u>2,547</u>	<u>(5,333,754)</u>
\$ 2,186,672	-	2,186,672
393,845	-	393,845
104,993	-	104,993
427,529	-	427,529
339,539	-	339,539
1,989,867	-	1,989,867
43,985	329	44,314
142,240	-	142,240
<u>5,628,670</u>	<u>329</u>	<u>5,628,999</u>
292,369	2,876	295,245
<u>6,111,820</u>	<u>144,166</u>	<u>6,255,986</u>
<u>\$ 6,404,189</u>	<u>147,042</u>	<u>6,551,231</u>

West Hancock Community School District
Britt, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 2,217,453	4,589,765	1,138,786	731,598	8,677,602
Receivables:					
Property tax:					
Delinquent	19,221	3,773	714	2,017	25,725
Succeeding year	2,110,385	393,728	78,886	182,271	2,765,270
Accounts	1,911	-	-	-	1,911
Accrued interest	2,623	-	-	-	2,623
Due from other governments	432,709	13	119,273	6	552,001
Total assets	<u>\$ 4,784,302</u>	<u>4,987,279</u>	<u>1,337,659</u>	<u>915,892</u>	<u>12,025,132</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 107,983	-	146,779	11,095	265,857
Salaries and benefits payable	437,596	-	-	-	437,596
Deferred revenue:					
Succeeding year property tax	2,110,385	393,728	78,886	182,271	2,765,270
Income surtax	295,695	-	-	-	295,695
Other	213,172	-	-	-	213,172
Total liabilities	<u>3,164,831</u>	<u>393,728</u>	<u>225,665</u>	<u>193,366</u>	<u>3,977,590</u>
Fund balances:					
Restricted for:					
Categorical funding	161,433	-	-	-	161,433
Debt service	-	4,593,551	218,241	-	4,811,792
School infrastructure	-	-	772,708	-	772,708
Physical plant and equipment	-	-	121,045	-	121,045
Student activities	-	-	-	90,407	90,407
Recreation levy purposes	-	-	-	34,369	34,369
Other purposes	-	-	-	143	143
Management levy purposes	-	-	-	597,607	597,607
Unassigned	1,458,038	-	-	-	1,458,038
Total fund balances	<u>1,619,471</u>	<u>4,593,551</u>	<u>1,111,994</u>	<u>722,526</u>	<u>8,047,542</u>
Total liabilities and fund balances	<u>\$ 4,784,302</u>	<u>4,987,279</u>	<u>1,337,659</u>	<u>915,892</u>	<u>12,025,132</u>

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Exhibit D

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

June 30, 2011

Total fund balances of governmental funds (page 19)	\$ 8,047,542
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,642,917
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	295,695
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.	(102,545)
Long-term liabilities, including bonds and notes payable, compensated absences and other post employment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(11,479,420)</u>
Net assets of governmental activities (page 18)	<u>\$ 6,404,189</u>

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Exhibit E

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

Year ended June 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 2,332,193	393,620	501,998	210,415	3,438,226
Tuition	283,030	-	-	-	283,030
Other	193,076	760	17,448	246,842	458,126
State sources	2,745,229	224	42	119	2,745,614
Federal sources	<u>287,866</u>	<u>-</u>	<u>25,631</u>	<u>-</u>	<u>313,497</u>
Total revenues	<u>5,841,394</u>	<u>394,604</u>	<u>545,119</u>	<u>457,376</u>	<u>7,238,493</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,467,897	-	-	42,773	2,510,670
Special	674,734	-	-	-	674,734
Other	<u>916,730</u>	<u>-</u>	<u>-</u>	<u>240,412</u>	<u>1,157,142</u>
	<u>4,059,361</u>	<u>-</u>	<u>-</u>	<u>283,185</u>	<u>4,342,546</u>
Support services:					
Student	54,060	-	-	-	54,060
Instructional staff	130,159	-	-	-	130,159
Administration	518,493	-	7,413	20,315	546,221
Operation and maintenance of plant	504,779	-	23,008	94,690	622,477
Transportation	<u>284,830</u>	<u>-</u>	<u>-</u>	<u>12,268</u>	<u>297,098</u>
	<u>1,492,321</u>	<u>-</u>	<u>30,421</u>	<u>127,273</u>	<u>1,650,015</u>
Other expenditures:					
Facilities acquisition	-	-	1,551,652	-	1,551,652
Community services	-	-	-	20,119	20,119
Long-term debt:					
Principal	-	464,237	-	-	464,237
Interest and fiscal charges	-	346,669	-	-	346,669
AEA flowthrough	<u>258,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>258,771</u>
	<u>258,771</u>	<u>810,906</u>	<u>1,551,652</u>	<u>20,119</u>	<u>2,641,448</u>
Total expenditures	<u>5,810,453</u>	<u>810,906</u>	<u>1,582,073</u>	<u>430,577</u>	<u>8,634,009</u>
Excess (deficiency) of revenues over (under) expenditures	<u>30,941</u>	<u>(416,302)</u>	<u>(1,036,954)</u>	<u>26,799</u>	<u>(1,395,516)</u>
Other financing sources (uses):					
General Obligation bonds issued	-	4,435,000	-	-	4,435,000
Discount on revenue bonds issued	-	(28,384)	-	-	(28,384)
Operating transfers in	-	404,482	-	-	404,482
Operating transfers out	-	-	(404,482)	-	(404,482)
Total other financing sources	<u>-</u>	<u>4,811,098</u>	<u>(404,482)</u>	<u>-</u>	<u>4,406,616</u>
Net change in fund balances	30,941	4,394,796	(1,441,436)	26,799	3,011,100
Fund balances beginning of year, as restated	<u>1,588,530</u>	<u>198,755</u>	<u>2,553,430</u>	<u>695,727</u>	<u>5,036,442</u>
Fund balances end of year	<u>\$ 1,619,471</u>	<u>4,593,551</u>	<u>1,111,994</u>	<u>722,526</u>	<u>8,047,542</u>

See notes to financial statements.

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

Year ended June 30, 2011

Net change in fund balances - total governmental funds (page 21) \$ 3,011,100

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 not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,594,982	
Depreciation expense	<u>(353,330)</u>	1,241,652

Income surtaxes and other receivables not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. 12,826

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 is 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	\$ (4,435,000)	
Discount on bonds issued	28,384	
Repaid	464,237	
Amortize bond discount costs	<u>(1,398)</u>	(3,943,777)

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. 2,920

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	3,351	
Other postemployment benefits	<u>(35,703)</u>	<u>(32,352)</u>

Change in net assets of governmental activities (page 18) \$ 292,369

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2011

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 100,285
Inventories	13,503
Capital assets, net of accumulated depreciation	<u>41,666</u>
	<u>155,454</u>
Liabilities	
Accounts payable	201
Net OPEB liability	3,355
Deferred revenue	<u>4,856</u>
Total liabilities	<u>8,412</u>
Net Assets	
Invested in capital assets	41,666
Unrestricted	<u>105,376</u>
Total net assets	<u>\$ 147,042</u>

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2011

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 120,421</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	148,057
Purchased services	5,601
Supplies	133,144
Depreciation	<u>5,325</u>
Total operating expenses	<u>292,127</u>
Operating loss	<u>(171,706)</u>
Non-operating revenues:	
State sources	3,129
Federal sources	171,124
Interest income	<u>329</u>
Total non-operating revenues	<u>174,582</u>
Increase in net assets	2,876
Net assets beginning of year	<u>144,166</u>
Net assets end of year	<u>\$ 147,042</u>

See notes to financial statements.

West Hancock Community School District

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 120,313
Cash paid to employees for services	(146,255)
Cash paid to suppliers for goods or services	<u>(119,206)</u>
Net cash used by operating activities	<u>(145,148)</u>
Cash flows from non-capital financing activities:	
State grants received	3,129
Federal grants received	<u>155,100</u>
Net cash provided by non-capital financing activities	<u>158,229</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(19,023)</u>
Net cash used by capital and related financing activities	<u>(19,023)</u>
Cash flows from investing activities:	
Interest on investments	<u>329</u>
Net decrease in cash and cash equivalents	(5,613)
Cash and cash equivalents beginning of year	<u>105,898</u>
Cash and cash equivalents end of year	<u>\$ 100,285</u>

West Hancock Community School District

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	<u>School Nutrition</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (171,706)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	16,024
Depreciation	5,325
(Decrease) in inventories	3,374
Increase in accounts payable	141
Increase in Net OPEB liability	1,802
(Decrease) in deferred revenue	<u>(108)</u>
Net cash used by operating activities	<u>\$ (145,148)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$16,024 of federal commodities.

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, West Hancock Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability to 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. West Hancock 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hancock and Wright County Assessor's Conference boards.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2011

B. Basis of Presentation

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

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

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

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

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

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2011

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used 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 and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2011

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

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2011

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2011

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

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

Property tax revenue recognized in these funds 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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

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.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2011

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2011

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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in 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, as well as unspent grant proceeds.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

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

Fund Equity – In the governmental fund financial statements fund balances are classified as follows:

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

Unassigned – All amounts not included in other spendable classifications.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2011

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits banks at June 30, 2011 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$4,819,910 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2011

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 404,482</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 13,500	-	-	13,500
Construction in progress	<u>473,257</u>	<u>1,369,095</u>	-	<u>1,842,352</u>
Total capital assets not being depreciated	<u>486,757</u>	<u>1,369,095</u>	-	<u>1,855,852</u>
Capital assets being depreciated:				
Buildings	10,624,768	-	-	10,624,768
Improvements other than buildings	427,574	-	-	427,574
Furniture and equipment	<u>1,718,552</u>	<u>225,886</u>	-	<u>1,944,438</u>
Total capital assets being depreciated	<u>12,770,894</u>	<u>225,886</u>	-	<u>12,996,780</u>
Less accumulated depreciation for:				
Buildings	3,303,092	201,042	-	3,504,134
Improvements other than buildings	218,367	16,756	-	235,123
Furniture and equipment	<u>1,334,926</u>	<u>135,532</u>	-	<u>1,470,458</u>
Total accumulated depreciation	<u>4,856,385</u>	<u>353,330</u>	-	<u>5,209,715</u>
Total capital assets being depreciated, net	<u>7,914,509</u>	<u>(127,444)</u>	-	<u>7,787,065</u>
Governmental activities capital assets, net	<u>\$ 8,401,266</u>	<u>1,241,651</u>	-	<u>9,642,917</u>

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2011

<u>Business type activities:</u>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Furniture and equipment	\$ 138,534	19,023	(4,646)	152,911
Less accumulated depreciation	<u>110,566</u>	<u>5,325</u>	<u>(4,646)</u>	<u>111,245</u>
Business type activities capital assets, net	<u>\$ 27,968</u>	<u>13,698</u>	<u>-</u>	<u>41,666</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 68,630
Special Education	8,985

Support Services:

Student Support	6,215
Administration	4,552
Operation and maintenance of plant	5,789
Transportation	40,388
Unallocated	<u>218,771</u>

Total depreciation expense - governmental activities \$ 353,330

Business type activities:

Food service operations	<u>\$ 5,325</u>
-------------------------	-----------------

5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 4,485,000	-	290,000	4,195,000	4,195,000
General obligation refunding bonds	-	4,435,000	-	4,435,000 (1)	495,000
Revenue bonds	2,705,000	-	10,000	2,695,000 (2)	100,000
Notes payable	282,936	-	74,237	208,699	77,236
Compensated absences	12,897	9,546	12,897	9,546	9,546
Net OPEB liability	34,012	35,703	-	69,715	-
Total	<u>\$ 7,519,845</u>	<u>4,480,249</u>	<u>387,134</u>	<u>11,612,960</u>	<u>4,876,782</u>

(1) Bonds were sold at a discount; unamortized discount at June 30, 2011 totaled \$27,858.

(2) Bonds were sold at a discount; unamortized discount at June 30, 2011 totaled \$15,682.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2011

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 1,553	1,802	-	3,355	-
Total	\$ 1,553	1,802	-	3,355	-

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue May 4, 2011 callable May 1, 2012			
	Interest Rates	Principal	Interest	Total
2012	5.20%	\$ 4,175,000	188,348	4,363,348

Refunding Bonds

On May 4, 2011, the District issued \$4,435,000 of advanced general obligation refunding bonds, with interest rates ranging from .500% to 2.70% for refunding of the general obligation bonds issued Aug 1, 2002 that will be called on May 1, 2012. Details of the District's June 30, 2011, general obligation refunding bonded indebtedness are summarized as follows:

Year Ending June 30,	Bond Issue May 4, 2011			
	Interest Rates	Principal	Interest	Total
2012	.50%	495,000	73,143	568,143
2013	0.80	500,000	71,283	571,283
2014	1.15	505,000	67,282	572,282
2015	1.45	510,000	61,475	571,475
2016	1.85	520,000	54,080	574,080
2017-2020	2.05-2.70	1,905,000	107,570	2,012,570
Total		\$ 4,435,000	434,833	4,869,833

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2011

Energy Management Improvement Capital Loan Note

Details of the District's June 30, 2011 note payable is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	4.00%	77,236	7,583	84,819
2013	4.00	80,356	4,463	84,819
2014	4.00	51,107	1,022	52,129
Total		\$ 208,699	13,068	221,767

Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
Bond Issue of Dec 1, 2009				
2012	3.00 %	100,000	116,663	216,663
2013	4.00	100,000	113,163	213,163
2014	4.00	100,000	109,162	209,162
2015	4.00	100,000	105,162	205,162
2016	4.00	105,000	101,062	206,062
2017-2021	4.00-4.50	585,000	434,288	1,019,288
2022-2026	4.05-4.75	755,000	282,506	1,037,506
2027-2030	4.75-5.00	760,000	78,500	838,500
Total		\$ 2,605,000	1,340,506	3,945,506

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,705,000 of bonds issued in December 2009. The bonds were issued for the purpose of financing a school infrastructure improvement project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2011

the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,945,506. For the current year, principal and interest paid and total statewide sales, services and use tax revenues were \$229,759 and \$427,529, respectively.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$218,163 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the Statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds fore the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

(6) 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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$235,613, \$219,094, and \$207,951, respectively, equal to the required contributions for each year.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2011

(7) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 75 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical 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, 2011, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 44,622
Interest on net OPEB obligation	889
Adjustment to annual required contribution	<u>(3,807)</u>
Annual OPEB cost	41,704
Contributions made	<u>(4,199)</u>
Increase in net OPEB obligation	37,505
Net OPEB obligation beginning of year	<u>35,565</u>
Net OPEB obligation end of year	<u><u>\$ 73,070</u></u>

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2011

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the 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, 2011.

For the year ended June 30, 2011, the District contributed \$4,199 to the medical plan. Plan members eligible for the benefits contributed \$30,640 or 88% of the premium costs.

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, 2011 are summarized as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 41,225	13.7%	\$ 35,565
2011	41,704	10.1%	\$ 73,070

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 \$345,130 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$345,130. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,760,700 and the ratio of the UAAL to covered payroll was 12.5%. As of June 30, 2011, there were no trust fund assets.

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2011

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 include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, 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, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$580 per month for retirees less than age 65 and \$580 per month for retirees who have attained age 65. The UAAL is being amortized as a level dollar funding over 30 years.

(8) Risk Management

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2011

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$258,771 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Commitments

The District has entered into a contract totaling \$2,063,700 for a phase 2 Geothermal Project. The balance of \$426,665 remaining at June 30, 2011 will be paid as work on the project progresses. The District has also committed to purchasing additional computers for approximately \$118,000 for the 1:1 program.

(11) Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Teacher salary supplement	\$ 25,788
Early intervention	35,815
Nonpublic transportation	7,429
Preschool program	24,830
Professional development – core curriculum	19,597
Professional development	15,115
Homeschool assistance program	1,770
Limited English proficient	9,654
At-risk program	14,102
Beginning teacher mentoring	828
Market factor funds	<u>6,505</u>
Total	<u>\$ 161,433</u>

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2011

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No.54 Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010 as previously reported	\$2,388,053	165,377
Change in fund type classification per implementation of GASB Statement No. 54	<u>165,377</u>	<u>(165,377)</u>
Balances July 1, 2010, as restated	<u>\$2,553,430</u>	<u>---</u>

(13) Subsequent Events

Subsequent events have been evaluated through February 20, 2012, which is the date the financial statements were available to be issued.

Required Supplementary Information

West Hancock Community School District

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

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 4,179,382	120,750
State sources	2,745,614	3,129
Federal sources	313,497	171,124
Total revenues	<u>7,238,493</u>	<u>295,003</u>
Expenditures/Expenses:		
Instruction	4,342,546	-
Support services	1,650,015	-
Non-instructional programs	-	292,127
Other expenditures	2,641,448	-
Total expenditures/expenses	<u>8,634,009</u>	<u>292,127</u>
Excess (deficiency) of revenues over (under) expenditures	(1,395,516)	2,876
Other financing sources, net	<u>4,406,616</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	3,011,100	2,876
Balances beginning of year	<u>5,036,442</u>	<u>144,166</u>
Balances end of year	<u>\$ 8,047,542</u>	<u>147,042</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts Original & Final</u>	<u>Final to Actual Variance</u>
4,300,132	4,203,892	96,240
2,748,743	2,940,276	(191,533)
<u>484,621</u>	<u>603,824</u>	<u>(119,203)</u>
<u>7,533,496</u>	<u>7,747,992</u>	<u>(214,496)</u>
4,342,546	4,452,000	109,454
1,650,015	2,017,995	367,980
292,127	361,145	69,018
<u>2,641,448</u>	<u>3,101,412</u>	<u>459,964</u>
<u>8,926,136</u>	<u>9,932,552</u>	<u>1,006,416</u>
(1,392,640)	(2,184,560)	791,920
<u>4,406,616</u>	<u>-</u>	<u>4,406,616</u>
3,013,976	(2,184,560)	5,198,536
<u>5,180,608</u>	<u>5,040,177</u>	<u>140,431</u>
<u>8,194,584</u>	<u>2,855,617</u>	<u>5,338,967</u>

West Hancock Community School District
Britt, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2011

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds 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 a GAAP basis.

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

West Hancock Community School District
Britt, Iowa

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)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$353,917	353,917	0.0%	\$2,636,500	13.4%
2011	Jul 1, 2009	-	345,130	345,130	0.0%	2,760,700	12.5%

See Note 7 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 Hancock Community School District
Britt, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

	Special Revenue				
	Playground	Equipment	Riebsamen	Management	Total
Assets	Student <u>Activity</u>	Recreation <u>Levy</u>	Memorial	<u>Management</u>	<u>Total</u>
Cash and pooled investments	\$ 95,883	37,369	143	598,203	731,598
Receivables:					
Property tax:					
Delinquent	-	293	-	1,724	2,017
Succeeding year	-	32,271	-	150,000	182,271
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	6	6
	-	-	-	6	6
Total assets	\$ 95,883	69,933	143	749,933	915,892
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 5,476	3,293	-	2,326	11,095
Deferred revenue:					
Succeeding year property tax	-	32,271	-	150,000	182,271
Total liabilities	5,476	35,564	-	152,326	193,366
Fund balances:					
Restricted for:					
Student activities	90,407	-	-	-	90,407
Recreation levy purposes	-	34,369	-	-	34,369
Other purposes	-	-	143	-	143
Management levy purposes	-	-	-	597,607	597,607
Unassigned	-	-	-	-	-
Total fund balances	90,407	34,369	143	597,607	722,526
Total liabilities and fund balances	\$ 95,883	69,933	143	749,933	915,892

See accompanying independent auditor's report.

West Hancock Community School District
Britt, Iowa

Schedule 2

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

Year ended June 30, 2011

	Special Revenue				
	Playground Equipment/ Recreation	Riebsamen Memorial	Management	Total	
	<u>Student Activity</u>	<u>Levy</u>	<u>Memorial</u>	<u>Management</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ -	30,465	-	179,950	210,415
Other	240,580	481	-	5,781	246,842
State sources	-	17	-	102	119
Total revenues	240,580	30,963	-	185,833	457,376
Expenditures:					
Current:					
Instruction:					
Regular	-	-	-	42,773	42,773
Other	240,412	-	-	-	240,412
Support services:					
Administration	-	20,315	-	-	20,315
Operation and maintenance of plant	-	-	-	94,690	94,690
Transportation	-	-	-	12,268	12,268
Other expenditures:					
Community services	-	20,119	-	-	20,119
Total expenditures	240,412	40,434	-	149,731	430,577
Excess (deficiency) of revenues over expenditures	168	(9,471)	-	36,102	26,799
Fund balances beginning of year, as restated	90,239	43,840	143	561,505	695,727
Fund balances end of year	\$ 90,407	34,369	143	597,607	722,526

See accompanying independent auditor's report.

West Hancock Community School District
Britt, Iowa

Schedule 3

Combining Balance Sheet
Capital Project Accounts

June 30, 2011

	Capital Projects		
	Statewide Sales, Service and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,055,621	83,165	1,138,786
Receivables:			
Property tax:			
Delinquent	-	714	714
Succeeding year	-	78,886	78,886
Due from other governments	<u>82,107</u>	<u>37,166</u>	<u>119,273</u>
Total assets	<u>\$ 1,137,728</u>	<u>199,931</u>	<u>1,337,659</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 146,779	-	146,779
Deferred revenue:			
Succeeding year property tax	<u>-</u>	<u>78,886</u>	<u>78,886</u>
Total liabilities	<u>146,779</u>	<u>78,886</u>	<u>225,665</u>
Fund balances:			
Restricted for:			
Debt service	218,241	-	218,241
School infrastructure	772,708	-	772,708
Physical plant and equipment	<u>-</u>	<u>121,045</u>	<u>121,045</u>
Total fund balances	<u>990,949</u>	<u>121,045</u>	<u>1,111,994</u>
Total liabilities and fund balances	<u>\$ 1,137,728</u>	<u>199,931</u>	<u>1,337,659</u>

See accompanying independent auditor's report.

West Hancock Community School District
Britt, Iowa

Schedule 4

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 427,529	74,469	501,998
Other	16,197	1,251	17,448
State sources	-	42	42
Federal sources	-	25,631	25,631
Total revenues	443,726	101,393	545,119
Expenditures:			
Support services:			
Administration	7,413	-	7,413
Operation and maintenance of plant	-	23,008	23,008
Other expenditures:			
Facilities acquisition	1,428,935	122,717	1,551,652
Total expenditures	1,436,348	145,725	1,582,073
Deficiency of revenues over expenditures	(992,622)	(44,332)	(1,036,954)
Other financing sources (uses):			
Operating transfers out	(404,482)	-	(404,482)
Deficiency of revenues and other financing sources over expenditures and other financing uses	(1,397,104)	(44,332)	(1,441,436)
Fund balances beginning of year, as restated	2,388,053	165,377	2,553,430
Fund balances end of year	\$ 990,949	121,045	1,111,994

See accompanying independent auditor's report.

West Hancock Community School District
Britt, Iowa

Schedule 5

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Athletics	\$ 4,441	75,897	73,239	7,099
Class of 2007	600	-	600	-
Class of 2010	3,778	-	3,778	-
Class of 2011	10,294	313	4,564	6,043
Class of 2012	-	41,449	30,727	10,722
Class of 2013	-	100	-	100
FFA	6,482	10,167	12,023	4,626
FCCLA	246	44	65	225
SES	213	-	-	213
Student Council	6,725	2,545	3,427	5,843
Vocal Music	308	967	789	486
Cheerleaders	2,736	6,524	9,411	(151)
Band	13	1,050	783	280
Band Trip	255	-	-	255
Drama	2,135	525	142	2,518
Pep Club	407	200	103	504
Uniforms	8,617	22,044	21,035	9,626
Yearbook	640	6,540	1,306	5,874
Girls Basketball	(686)	564	701	(823)
Mat Maids	100	-	-	100
Wrestling	610	1,000	1,048	562
Weight Lifting	2,135	14,971	15,256	1,850
Weight Room	1,562	-	-	1,562
Boys Basketball	695	765	1,492	(32)
Baseball	1,767	-	453	1,314
Interest	6,583	108	-	6,691
Student Fees	121	-	121	-
Spanish Club	1,072	-	-	1,072
Speech	2,086	923	2,341	668
Volleyball	3,374	2,430	2,804	3,000

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Junior High Student Council	1,241	1,504	1,358	1,387
Business Club	204	-	-	204
Softball	2,465	13	2,462	16
Junior High Athletics	-	6,578	6,578	-
Junior High Cheerleaders	577	64	114	527
Junior High Interest	1,275	51	-	1,326
Renaissance	2,326	-	-	2,326
Golf Co-Ed	20	-	-	20
Junior High Student Projects	6,045	15,466	18,066	3,445
Junior High Music	-	937	843	94
Junior High Accelerated Reading	-	1,099	1,099	-
Elementary Accelerated Reading	3,990	17,968	14,563	7,395
High School Student Projects	-	6,969	3,194	3,775
Book & Tech Donation	5,122	-	5,122	-
Sunshine Fund	(335)	805	805	(335)
Total	<u>\$ 90,239</u>	<u>240,580</u>	<u>240,412</u>	<u>90,407</u>

See accompanying independent auditor's report.

West Hancock Community School District
Britt, Iowa

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Seven Years

	Modified Accrual Basis		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues:			
Local sources:			
Local tax	\$ 3,438,226	\$ 3,282,467	3,188,365
Tuition	283,030	202,630	297,986
Other	458,126	366,189	488,352
Intermediate sources	-	-	1,748
State sources	2,745,614	2,293,532	2,881,183
Federal sources	313,497	430,173	194,666
Total	<u>\$ 7,238,493</u>	<u>\$ 6,574,991</u>	<u>7,052,300</u>
Expenditures:			
Instruction:			
Regular	\$ 2,510,670	\$ 2,419,690	2,249,274
Special	674,734	759,839	752,191
Other	1,157,142	1,054,860	1,067,698
Support services:			
Student	54,060	50,028	46,998
Instructional staff	130,159	136,107	134,296
Administration	546,221	520,011	523,030
Operation and maintenance of plant	622,477	602,443	679,686
Transportation	297,098	269,376	363,139
Other support	-	-	-
Non-instructional programs	-	-	12,650
Other expenditures:			
Community services	20,119	-	-
Facilities acquisition	1,551,652	649,370	229,686
Long-term debt:			
Principal	464,237	346,354	341,002
Interest and other charges	346,669	231,337	243,862
AEA flowthrough	258,771	253,004	221,704
Total	<u>\$ 8,634,009</u>	<u>\$ 7,292,419</u>	<u>6,865,216</u>

See accompanying independent auditor's report.

Schedule 6

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
3,247,797	3,498,064	3,171,524	3,124,363
244,737	342,215	247,043	150,372
442,352	264,035	423,495	355,892
-	-	-	-
2,697,853	2,702,514	2,819,160	2,811,629
153,903	205,533	141,044	195,169
<u>6,786,642</u>	<u>7,012,361</u>	<u>6,802,266</u>	<u>6,637,425</u>
2,128,263	2,220,720	2,137,232	2,073,955
795,804	920,024	686,697	1,053,412
992,975	594,807	651,426	342,178
42,210	71,626	87,727	113,202
103,088	102,827	135,273	100,670
541,014	522,641	526,669	622,136
673,542	645,838	682,518	698,966
269,509	244,828	273,447	301,623
-	-	-	156,634
-	-	139	50,296
17,028	861	-	-
124,880	365,207	386,909	364,656
320,847	307,800	291,200	273,535
256,109	266,931	275,020	284,673
208,064	203,795	197,990	193,975
<u>6,473,333</u>	<u>6,467,905</u>	<u>6,332,247</u>	<u>6,629,911</u>

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Hancock Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 20, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 described in Part I of the accompanying Schedule of Findings as items I-A-11 and I-B-11 to be material weaknesses.

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 described in part I of the accompanying Schedule of Findings as items I-C-11 and I-D-11 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Hancock Community School District and other parties to whom West Hancock Community School District may report, 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 Hancock Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Cornwell, Frideres, Maher & Associates, P.L.C.
Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

February 20, 2012

West Hancock Community School District
Britt, Iowa

Schedule of Findings

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal are all done by the same person.

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

Response – We are doing everything we can with the limited number of staff we have.

Conclusion – Response acknowledged.

I-B-11 Financial Reporting – During the audit, we identified a material amount of bond proceeds that were not posted to the District's financial statements. Adjustments were subsequently made by the District to properly report the amounts in the Debt Service Fund.

Recommendation – The District should implement procedures to ensure all transactions are properly recorded in the District's financial statements.

Response – This was unusual this year due to issuance of refunding bonds. We will consult our auditors in the future, if needed, for assistance to help insure all material transactions are recorded

Conclusion – Response accepted.

West Hancock Community School District
Britt, Iowa

Schedule of Findings

Year ended June 30, 2011

II-C-11 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to West Hancock Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of the District’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

I-D-11 Disbursement Approval – Of the sixteen items tested, there were two transactions from the Student Activity account that had no evidence of approval before payment.

Recommendation – The District should ensure all expenditures are properly approved for payments made in advance of Board meetings. The District should maintain documentation of the Superintendent’s approval of claims for payment.

Response – We will ensure all expenditures are properly approved in the future.

Conclusion – Response accepted.

West Hancock Community School District
Britt, Iowa

Schedule of Findings

Year ended June 30, 2011

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Part II: Other Findings Related to Statutory Reporting:

- II-A-11 Certified Budget – Expenditures for the year ended June 30, 2011, did not exceed the certified budget.
- II-B-11 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-11 Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that the coverage is adequate for current operations
- II-F-11 Board Minutes – No transactions requiring Board approval were found that had not been approved by the Board.
- II-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

West Hancock Community School District
Britt, Iowa

Schedule of Findings

Year ended June 30, 2011

II-I-11 Deposits and Investments – 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 were noted.

II-J-11 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-11 Deficit Balances – A few student activity accounts had deficit balances at June 30, 2011.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – The District is continuing to investigate alternatives.

Conclusion – Response accepted.

II-L-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

West Hancock Community School District
Britt, Iowa

Schedule of Findings

Year ended June 30, 2011

II-M-11 Statewide Sales, Services, and Use Tax – No instances of non-compliance with the use of the statewide sales, services, and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 2,388,053
Revenues:		
Sales tax revenues	\$ 427,529	
Other local revenues	16,197	443,726
		2,831,779
Expenditures/transfer out:		
School infrastructure construction	1,428,935	
Other	7,413	
Transfer to other funds:		
Debt Service fund	404,482	1,840,830
Ending Balance		\$ 990,949

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.