

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL  
DISTRICT

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

June 30, 2011

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Independent Auditor's Report

To the Board of Education of  
Wall Lake View Auburn Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Wall Lake View Auburn Community School District, Lake View, Iowa, 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. 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of Wall Lake View Auburn 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.

The district has merged with the Sac Community School District to form a new district named East Sac Community School District as of July 1, 2012.

In accordance with Government Auditing Standards, we have also issued our report dated April 25, 2012, on our consideration of Wall Lake View Auburn 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 9 and 34 through 36 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 Wall Lake View Auburn 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 seven years ended June 30, 2010, (which are not presented herein) and expressed unqualified opinions 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.

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

April 25, 2012

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Wall Lake View Auburn 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.

### 2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,737,467 in fiscal 2010 to \$6,062,161 in fiscal 2011, General Fund expenditures increased from \$5,829,834 in fiscal 2010 to \$5,926,655 in fiscal 2011. The District's General Fund balance increased from \$614,993 in fiscal 2010 to \$770,499 in fiscal 2011, a 25% increase.
- Fiscal 2010 was the third year of whole grade sharing. The decrease in revenues was primarily due to the declining enrollment and the state funding formula. The increase in expenditures is simply increased costs of supplies, utilities, and salaries.
- The unspent/undesignated ending General Fund balance was \$830,889 and the Solvency Ratio is 13.7%.

### USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds.

### REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

*Government-wide Financial Statements*

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2011-2010
	Governmental Activities		Business-type Activities		Total School District		
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	2,088,641	4,167,673	54,050	38,962	2,142,691	4,206,635	-49%
Capital assets	1,806,520	1,691,676	64,656	74,475	1,871,176	1,766,151	6%
<b>Total assets</b>	<b>3,895,161</b>	<b>5,859,349</b>	<b>118,706</b>	<b>113,437</b>	<b>4,013,867</b>	<b>5,972,786</b>	<b>-33%</b>
Long-term liabilities	33,237	16,683	1,781	894	35,018	17,577	99%
Other liabilities	414,706	2,641,675	3,845	3,064	418,551	2,644,739	-84%
<b>Total liabilities</b>	<b>447,943</b>	<b>2,658,358</b>	<b>5,626</b>	<b>3,958</b>	<b>453,569</b>	<b>2,662,316</b>	<b>-83%</b>
Net Assets:							
Invested in capital assets, net of related debt	1,806,520	1,691,676	64,656	74,475	1,871,176	1,766,151	6%
Restricted	809,809	822,186	-	-	809,809	822,186	-2%
Unrestricted	830,889	687,129	48,424	35,004	879,313	722,133	22%
<b>TOTAL NET ASSETS</b>	<b>3,447,218</b>	<b>3,200,991</b>	<b>113,080</b>	<b>109,479</b>	<b>3,560,298</b>	<b>3,310,470</b>	<b>8%</b>

The District's assets decreased 33 percent while total liabilities decreased 83 percent resulting in a small increase in total net assets.

The District's combined total net assets increased by 8%, or approximately \$249,828, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased 2% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$157,180, or 22%.

Figure A-4 shows the change in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4

	Change in Net Assets						Percentage Change 2010-2011
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services	1,464,943	1,398,365	146,003	127,497	1,610,946	1,525,862	6%
Operating grants & contributions	910,457	1,034,386	112,811	107,574	1,023,268	1,141,960	-10%
Capital grants & contributions	-	-	-	-	-	-	-
General Revenues:							
Property taxes	2,108,820	2,196,654	-	-	2,108,820	2,196,654	-4%
Income Surtax	105,606	96,610	-	-	105,606	96,610	9%
Statewide sales tax	362,470	290,180	-	-	362,470	290,180	25%
Unrestricted state grants	1,873,983	1,402,550	-	-	1,873,983	1,402,550	34%
Unrestricted investment earnings	3,304	5,402	65	84	3,369	5,486	-39%
Other revenue	41,468	15,281	-	-	41,468	15,281	171%
<b>Total Revenues</b>	<b>6,871,051</b>	<b>6,439,428</b>	<b>258,879</b>	<b>235,155</b>	<b>7,129,930</b>	<b>6,674,583</b>	<b>7%</b>
Expenses:							
Instruction	4,599,588	4,424,889	-	-	4,599,588	4,424,889	4%
Support services	1,495,072	1,536,091	-	-	1,495,072	1,536,091	-3%
Non-instructional programs	-	-	255,278	250,601	255,278	250,601	2%
Other expenditures	530,164	483,681	-	-	530,164	483,681	10%
<b>Total expenses</b>	<b>6,624,824</b>	<b>6,444,661</b>	<b>255,278</b>	<b>250,601</b>	<b>6,880,102</b>	<b>6,695,262</b>	<b>3%</b>
<b>CHANGE IN NET ASSETS</b>	<b>246,227</b>	<b>209,282</b>	<b>3,601</b>	<b>(15,446)</b>	<b>249,828</b>	<b>193,836</b>	<b>29%</b>
Net assets beginning of year as restated	3,200,991	2,991,709	109,479	124,925	3,310,470	3,116,634	6%
Net assets end of year	<b>3,447,218</b>	<b>3,200,991</b>	<b>113,080</b>	<b>109,479</b>	<b>3,560,298</b>	<b>3,310,470</b>	<b>8%</b>

Property tax and unrestricted state grants account for 56% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$6,871,051 and expenses were \$6,624,824. In a difficult budget year, the District was able to show an increase in net assets for governmental activities of \$246,227.

- The cost financed by users of the District's programs was \$1,464,943. Most of these revenues are derived from shared contracts/expenses resulting from whole grade sharing.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$910,457.
- The net cost of governmental activities was financed with \$2,108,820 in property taxes and \$1,873,983 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$258,879 and expenses were \$255,278. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, Wall Lake View Auburn 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 a combined fund balance of \$1,437,179, well above last year's ending fund balances of \$1,247,992. The increase is primarily attributable to a large increase in the Capital Projects Fund.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$614,993 to \$770,499.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects fund will be used for future capital improvements and equipment purchases.
  - The Physical Plant and Equipment Levy account balance increased from \$7,260 at June 30, 2010 to \$61,410 at June 30, 2011.
  - The Statewide Sales Tax account balance decreased from \$521,348 at June 30, 2010 to \$403,136 at June 30, 2011.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$109,479 at June 30, 2010 to \$113,080 at June 30, 2011, representing an increase of approximately 3%.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Wall Lake View Auburn Community School District did not need to amend its annual budget. Total expenditures were less than the amount budgeted. It is the District's practice to budget expenditures at nearly the maximum authorized spending authority for the General Fund.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2011, the District had invested \$1,766,551, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 1% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$161,182.

Figure A-6

**Capital Assets (net of depreciation)**

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2010-2011
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	
Land	20,000	20,000	-	-	20,000	20,000	0%
Construction in progress	-	-	-	-	-	-	---
Buildings	928,437	982,698	-	-	928,437	982,698	-6%
Improvements	421,808	350,014	-	-	421,808	350,014	21%
Equipment & Furniture	436,275	338,964	64,656	74,475	500,931	413,439	21%
<b>TOTAL</b>	<b>1,806,520</b>	<b>1,691,676</b>	<b>64,656</b>	<b>74,475</b>	<b>1,871,176</b>	<b>1,766,151</b>	<b>6%</b>

**Long-Term Debt**

At June 30, 2011, the District had long-term debt, for a net OPEB liability of \$35,018.

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of the factors that affect its financial health in the future, mainly the economic situation and enrollment. The districts' enrollment for the fall of 2009 was relatively stable as compared to the fall of 2008. The District is facing the same challenges as any other school.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Kraft, District Secretary/Treasurer and Business Manager, Wall Lake View Auburn Community School District, PO Box 110, Lake View, Iowa, 51450.

## BASIC FINANCIAL STATEMENTS

## WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total	Wall Lake View Auburn Community School Foundation
	\$	\$	\$	\$
<b>Assets</b>				
Cash and cash equivalents	1,794,050	49,855	1,843,905	335,850
Receivables:				
Property tax:				
Delinquent	21,016	-	21,016	-
Accounts	-	93	93	-
Due from other governments	273,575	-	273,575	-
Inventories	-	4,102	4,102	-
Capital assets, net of accumulated depreciation	1,806,520	64,656	1,871,176	-
<b>Total assets</b>	<b>3,895,161</b>	<b>118,706</b>	<b>4,013,867</b>	<b>335,850</b>
<b>Liabilities</b>				
Accounts payable	16,089	-	16,089	-
Salaries and benefits payable	398,617	-	398,617	-
Deferred revenue:				
Other	-	3,845	3,845	-
Long-term liabilities:				
Portion due after one year:				
Net OPEB liability	33,237	1,781	35,018	-
<b>Total liabilities</b>	<b>447,943</b>	<b>5,626</b>	<b>453,569</b>	<b>-</b>
<b>Net assets</b>				
Invested in capital assets	1,806,520	64,656	1,871,176	-
Restricted for:				
Management levy	206,850	-	206,850	-
Physical plant and equipment levy	61,410	-	61,410	-
Student activities	138,413	-	138,413	-
School infrastructure	403,136	-	403,136	-
Unrestricted	830,889	48,424	879,313	335,850
<b>Total net assets</b>	<b>3,447,218</b>	<b>113,080</b>	<b>3,560,298</b>	<b>335,850</b>

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

<b>Functions/Programs</b>	<u>Program Revenues</u>			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,337,286	1,214,968	577,591	-
Special	335,891	-	38,681	-
Other	1,926,411	249,975	70,983	-
	<u>4,599,588</u>	<u>1,464,943</u>	<u>687,255</u>	<u>-</u>
Support services:				
Student	85,045	-	-	-
Instructional staff	26,064	-	-	-
Administration	461,545	-	1,500	-
Operation and maintenance of plant	633,798	-	-	-
Transportation	288,620	-	7,210	-
	<u>1,495,072</u>	<u>-</u>	<u>8,710</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	227,468	-	-	-
AEA flowthrough	214,492	-	214,492	-
Loss on disposal of capital assets	7,662	-	-	-
Depreciation (unallocated)*	80,542	-	-	-
	<u>530,164</u>	<u>-</u>	<u>214,492</u>	<u>-</u>
Total governmental activities	6,624,824	1,464,943	910,457	-
Business type activities:				
Non-instructional programs:				
Food service operations	255,278	146,003	112,811	-
Total primary government	6,880,102	1,610,946	1,023,268	-
Component Unit:				
Wall Lake View Auburn Community School Foundation	20,069	-	635	-
Total	<u>6,900,171</u>	<u>1,610,946</u>	<u>1,023,903</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

**Change in net assets**

Net assets beginning of year, as restated

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(544,727)	-	(544,727)	-
(297,210)	-	(297,210)	-
(1,605,453)	-	(1,605,453)	-
(2,447,390)	-	(2,447,390)	-
(85,045)	-	(85,045)	-
(26,064)	-	(26,064)	-
(460,045)	-	(460,045)	-
(633,798)	-	(633,798)	-
(281,410)	-	(281,410)	-
(1,486,362)	-	(1,486,362)	-
(227,468)	-	(227,468)	-
-	-	-	-
(7,662)	-	(7,662)	-
(80,542)	-	(80,542)	-
(315,672)	-	(315,672)	-
(4,249,424)	-	(4,249,424)	-
-	3,536	3,536	-
(4,249,424)	3,536	(4,245,888)	-
-	-	-	(19,434)
(4,249,424)	3,536	(4,245,888)	(19,434)
2,048,044	-	2,048,044	-
60,776	-	60,776	-
105,606	-	105,606	-
362,470	-	362,470	-
1,873,983	-	1,873,983	-
3,304	65	3,369	4,214
41,468	-	41,468	-
4,495,651	65	4,495,716	4,214
246,227	3,601	249,828	(15,220)
3,200,991	109,479	3,310,470	351,070
3,447,218	113,080	3,560,298	335,850

## WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	1,085,134	364,995	343,921	1,794,050
Receivables:				
Property tax:				
Delinquent	19,088	586	1,342	21,016
Income surtax receivable	93,627	-	-	93,627
Due from other governments	80,983	98,965	-	179,948
<b>Total assets</b>	<u>1,278,832</u>	<u>464,546</u>	<u>345,263</u>	<u>2,088,641</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	16,089	-	-	16,089
Salaries and benefits payable	398,617	-	-	398,617
Deferred revenue:				
Income surtax	93,627	-	-	93,627
Total liabilities	<u>508,333</u>	<u>-</u>	<u>-</u>	<u>508,333</u>
Fund balances:				
Restricted for:				
Management levy	-	-	206,850	206,850
Student activities	-	-	138,413	138,413
School infrastructure	-	403,136	-	403,136
Physical plant and equipment	-	61,410	-	61,410
Unassigned	770,499	-	-	770,499
Total fund balances	<u>770,499</u>	<u>464,546</u>	<u>345,263</u>	<u>1,580,308</u>
<b>Total liabilities and fund balances</b>	<u>1,278,832</u>	<u>464,546</u>	<u>345,263</u>	<u>2,088,641</u>

## WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	1,580,308
<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.	1,806,520
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	93,627
Long-term liabilities for other post employment benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(33,237)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>3,447,218</u></u>

## WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,014,364	423,246	134,478	2,572,088
Tuition	1,067,175	-	-	1,067,175
Other	190,829	600	245,758	437,187
Intermediate sources	5,353	-	-	5,353
State sources	2,450,852	-	-	2,450,852
Federal sources	333,588	-	-	333,588
Total revenues	<u>6,062,161</u>	<u>423,846</u>	<u>380,236</u>	<u>6,866,243</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,326,223	-	-	2,326,223
Special	335,300	-	-	335,300
Other	1,707,135	-	219,276	1,926,411
	<u>4,368,658</u>	<u>-</u>	<u>219,276</u>	<u>4,587,934</u>
Support services:				
Student	74,378	-	-	74,378
Instructional staff	25,768	-	-	25,768
Administration	478,599	-	-	478,599
Operation and maintenance of plant	528,085	-	109,275	637,360
Transportation	236,675	73,500	-	310,175
	<u>1,343,505</u>	<u>73,500</u>	<u>109,275</u>	<u>1,526,280</u>
Other expenditures:				
Facilities acquisition	-	414,408	-	414,408
AEA flowthrough	214,492	-	-	214,492
	<u>214,492</u>	<u>414,408</u>	<u>-</u>	<u>628,900</u>
Total expenditures	<u>5,926,655</u>	<u>487,908</u>	<u>328,551</u>	<u>6,743,114</u>
Excess (deficiency) of revenues over (under) expenditures	135,506	(64,062)	51,685	123,129
Other financing sources (uses):				
Compensation for loss of fixed assets	20,000	-	-	20,000
Net change in fund balances	155,506	(64,062)	51,685	143,129
Fund balances beginning of year, as restated	<u>614,993</u>	<u>528,608</u>	<u>293,578</u>	<u>1,437,179</u>
Fund balances end of year	<u><u>770,499</u></u>	<u><u>464,546</u></u>	<u><u>345,263</u></u>	<u><u>1,580,308</u></u>

See notes to financial statements.

## WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		143,129
<b><i>Amounts reported for governmental activities in the Statement of Activities are different because:</i></b>		
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 and loss on disposal of capital assets in the current year, as follows:		
Expenditures for capital assets	304,906	
Loss on disposal of capital assets	(27,662)	
Depreciation expense	<u>(162,400)</u>	114,844
Income surtaxes and other receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		4,808
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:		
Other postemployment benefits		<u>(16,554)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>246,227</u></u>

## WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2011

	School Nutrition
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	49,855
Accounts receivable	93
Inventories	4,102
Capital assets, net of accumulated depreciation	<u>64,656</u>
<b>Total assets</b>	<u><u>118,706</u></u>
<b>Liabilities</b>	
Deferred revenue	3,845
Net OPEB liability	<u>1,781</u>
<b>Total liabilities</b>	<u>5,626</u>
<b>Net assets</b>	
Invested in capital assets	64,656
Unrestricted	<u>48,424</u>
<b>Total net assets</b>	<u><u>113,080</u></u>

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2011

	<u>School Nutrition</u> \$
Operating revenues:	
Local sources:	
Charges for service	<u>146,003</u>
Operating expenses:	
Non-instructional programs:	
Salaries and benefits	86,098
Benefits	13,449
Supplies	140,723
Other expenses	4,019
Depreciation	<u>10,989</u>
Total operating expenses	<u>255,278</u>
Operating income (loss)	<u>(109,275)</u>
Non-operating revenues:	
State sources	2,450
Federal sources	110,361
Interest income	<u>65</u>
Total non-operating revenues	<u>112,876</u>
Change in net assets	3,601
Net assets beginning of year	<u>109,479</u>
Net assets end of year	<u><u>113,080</u></u>

## WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2011

	School Nutrition
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	146,785
Cash payments to employees for services	(98,660)
Cash payments to suppliers for goods or services	(129,869)
Net cash used by operating activities	<u>(81,744)</u>
Cash flows from non-capital financing activities:	
State grants received	2,450
Federal grants received	96,916
Net cash provided by non-capital financing activities	<u>99,366</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(1,170)</u>
Cash flows from investing activities:	
Interest on investments	<u>65</u>
Net increase (decrease) in cash and cash equivalents	16,517
Cash and cash equivalents at beginning of year	<u>33,338</u>
Cash and cash equivalents at end of year	<u><u>49,855</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>	
Operating income (loss)	(109,275)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	13,445
Depreciation	10,989
Decrease (increase) in inventories	1,428
Decrease (increase) in accounts receivable	1
(Decrease) increase in deferred revenue	781
(Decrease) increase in other postemployment benefits	887
Net cash used by operating activities	<u><u>(81,744)</u></u>

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

During the year ended June 30, 2011, the District received \$13,445 of federal commodities.

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2011

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	14,397
<b>Liabilities</b>	
	<u>-</u>
<b>Net Assets</b>	
Reserved for scholarships	<u><u>14,397</u></u>

## WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	170
Deductions	
Support services:	
Scholarships awarded	<u>-</u>
Change in net assets	170
Net assets beginning of year	<u>14,227</u>
Net assets end of year	<u><u>14,397</u></u>

# WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2011

### 1. Summary of Significant Accounting Policies

Board of Education of Wall Lake View Auburn 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 Wall Lake, Lake View and Auburn, Iowa and the predominately agricultural territory in a portion of Sac, Carroll and Crawford 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, Wall Lake View Auburn Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Wall Lake View Auburn Community School Foundation has been included in these financial statements as a discretely presented component unit because of the nature and significance of its relationship with the Wall Lake View Auburn Community School District.

The Wall Lake View Auburn School Foundation is a separate legal entity that was established to actively solicit and receive donations, gifts and grants for scholarships, the enhancement of technology and other enrichment to the programs for Wall Lake View Auburn Community students or other programs sponsored by the Board of Directors of Wall Lake View Auburn Community School District.

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

#### B. Basis of Presentation

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

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

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

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

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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.

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

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

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

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

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

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net 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	-
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	3-40 years
Furniture and equipment	5-15 years

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

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.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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 classifications.

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 are imposed by law through constitutional provisions or enabling legislation.

## E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

## 2. **Cash and Pooled Investments**

The District's deposits in 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.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

## 3. **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
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	20,000	-	-	20,000
Capital assets being depreciated:				
Buildings	3,153,735	-	-	3,153,735
Improvements other than buildings	831,848	107,053	-	938,901
Furniture and equipment	971,633	197,853	54,733	1,114,753
Total capital assets being deprec.	4,957,216	304,906	54,733	5,207,389
Less accumulated depreciation for:				
Buildings	2,171,037	54,261	-	2,225,298
Improvements other than buildings	481,834	26,281	(8,978)	517,093
Furniture and equipment	632,669	81,858	36,049	678,478
Total accumulated depreciation	3,285,540	162,400	27,071	3,420,869
Total capital assets being depreciated, net	1,671,676	142,506	27,662	1,786,520
Governmental activities capital assets, net	1,691,676	142,506	27,662	1,806,520

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	149,922	1,170	-	151,092
Less accumulated depreciation	<u>75,447</u>	<u>10,989</u>	-	<u>86,436</u>
Business type activities capital assets, net	<u>74,475</u>	<u>(9,819)</u>	-	<u>64,656</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	15,041
Support services:	
Student support	9,780
Administration services	1,260
Operation and maintenance of plant services	3,832
Transportation	<u>51,945</u>
	81,858
Unallocated depreciation	<u>80,542</u>
Total depreciation expense – governmental activities	<u>162,400</u>
Business type activities:	
Food services	<u>10,989</u>

#### 4. 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:					
Termination benefits	-	15,000	15,000	-	-
Net OPEB liability	16,683	16,554	-	33,237	-
Total	<u>16,683</u>	<u>31,554</u>	<u>15,000</u>	<u>33,237</u>	<u>-</u>
Business type activities:					
Net OPEB liability	894	887	-	1,781	-

#### Termination Benefits

The District offered a voluntary early retirement plan for employees during fiscal year 2011. Eligible employees must have completed at least twenty years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2011, the District has no obligations to participants.

## 5. 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 salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$200,587, \$189,180, and \$185,646 respectively, equal to the required contributions for each year.

## 6. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 200 active and 12 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 that, 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	28,550
Interest on net OPEB obligation	439
Adjustment to annual required contribution	<u>(2,273)</u>
Annual OPEB cost	26,716
Contributions made	<u>9,275</u>
Increase in net OPEB obligation	17,441
Net OPEB obligation beginning of year	<u>17,577</u>
Net OPEB obligation end of year	<u>35,018</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$9,275 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
June 30, 2010	26,685	34.13	7,577
June 30, 2011	26,716	34.72	35,018

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$230,428, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$230,428. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,370,000, and the ratio of the UAAL to covered payroll was 9.7%. 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, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the Frozen Entry Age actuarial cost method was used. The actuarial assumptions includes 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.

The UAAL is being amortized over 30 years.

## 7. Risk Management

Wall Lake View Auburn 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.

**8. 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 \$214,492 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.

**9. Related Party Transactions**

Charles Brotherton, a board member, is a part owner of Lake View Lumber and Wall Lake Lumber. During the year ended June 30, 2011 Wall Lake View Auburn Community School District purchased approximately \$26,881 of building materials and supplies from these two businesses.

Lisa Drost, a board member, is part owner of Albrecht Oil. During fiscal year 2011 the District purchased \$17,119 of fuel from this business.

**10. District Reorganization**

Wall Lake View Auburn Community School District and Sac Community School District will merge on July 1, 2011.

**11. Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund type Definitions, was implemented during the year ended 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	521,348	7,260
Change in fund type classification per implementation of GASB Statement No. 54	<u>7,260</u>	<u>(7,260)</u>
Balances July 1, 2010, as restated	<u><u>528,608</u></u>	<u><u>-</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

WALL LAKE VIEW AUBURN 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 Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,076,450	146,068	4,222,518	4,136,419	4,136,419	86,099
Intermediate sources	5,353	-	5,353	-	-	5,353
State sources	2,450,852	2,450	2,453,302	3,017,101	3,017,101	(563,799)
Federal sources	333,588	110,361	443,949	305,000	305,000	138,949
Total revenues:	<u>6,866,243</u>	<u>258,879</u>	<u>7,125,122</u>	<u>7,458,520</u>	<u>7,458,520</u>	<u>(333,398)</u>
Expenditures/Expenses:						
Instruction	4,587,934	-	4,587,934	4,980,000	4,980,000	392,066
Support services	1,526,280	-	1,526,280	1,880,000	1,880,000	353,720
Non-instructional programs	-	255,278	255,278	350,000	350,000	94,722
Other expenditures	628,900	-	628,900	667,588	667,588	38,688
Total expenditures/expenses	<u>6,743,114</u>	<u>255,278</u>	<u>6,998,392</u>	<u>7,877,588</u>	<u>7,877,588</u>	<u>879,196</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	123,129	3,601	126,730	(419,068)	(419,068)	545,798
Other financing sources (uses) net	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	143,129	3,601	146,730	(419,068)	(419,068)	565,798
Balance beginning of year	<u>1,437,179</u>	<u>109,479</u>	<u>1,546,658</u>	<u>822,316</u>	<u>822,316</u>	<u>724,342</u>
Balance end of year	<u><u>1,580,308</u></u>	<u><u>113,080</u></u>	<u><u>1,693,388</u></u>	<u><u>403,248</u></u>	<u><u>403,248</u></u>	<u><u>1,290,140</u></u>

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Informtaion

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	July 1, 2009	-	239,188	239,188	0.0%	2,560,000	9.3%
2011	July 1, 2009	-	230,428	230,428	0.0%	2,370,000	9.7%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

## WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2011

<b>Assets</b>	<u>Special Revenue Funds</u>		
	<u>Management</u>	<u>Student</u>	<u>Total</u>
	<u>Levy</u>	<u>Activity</u>	
	\$	\$	\$
Cash and pooled investments	205,508	138,413	343,921
Receivables:			
Property tax:			
Delinquent	1,342	-	1,342
	<u>206,850</u>	<u>138,413</u>	<u>345,263</u>
<b>Total assets</b>			
	<u><u>206,850</u></u>	<u><u>138,413</u></u>	<u><u>345,263</u></u>
<b>Liabilities &amp; Fund Balances</b>			
Liabilities	-	-	-
Fund balances:			
Restricted for:			
Management levy purposes	206,850	-	206,850
Student activities	-	138,413	138,413
Total fund balances	<u>206,850</u>	<u>138,413</u>	<u>345,263</u>
	<u><u>206,850</u></u>	<u><u>138,413</u></u>	<u><u>345,263</u></u>
<b>Total liabilities and fund balances</b>			
	<u><u>206,850</u></u>	<u><u>138,413</u></u>	<u><u>345,263</u></u>

## WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Special Revenue Funds		Total
	Management Levy	Student Activity	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	134,478	-	134,478
Other	9,711	236,047	245,758
Total revenues	<u>144,189</u>	<u>236,047</u>	<u>380,236</u>
Expenditures:			
Current:			
Instruction:			
Other	-	219,276	219,276
Support services:			
Operation and maintenance of plant	109,275	-	109,275
Total expenditures	<u>109,275</u>	<u>219,276</u>	<u>328,551</u>
Excess (deficiency) of revenues over (under) expenditures	34,914	16,771	51,685
Fund balances beginning of year, as restated	<u>171,936</u>	<u>121,642</u>	<u>293,578</u>
Fund balances end of year	<u><u>206,850</u></u>	<u><u>138,413</u></u>	<u><u>345,263</u></u>

## WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Capital Project Accounts

June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>	\$	\$	\$
Cash and pooled investments	304,171	60,824	364,995
Receivables:			
Property tax:			
Delinquent	-	586	586
Due from other governments	98,965	-	98,965
<b>Total assets</b>	<u>403,136</u>	<u>61,410</u>	<u>464,546</u>
<b>Liabilities &amp; Fund Balances</b>			
Liabilities	-	-	-
Fund balances:			
Restricted for:			
School infrastructure	403,136	-	403,136
Physical plant and equipment	-	61,410	61,410
Total fund balances	<u>403,136</u>	<u>61,410</u>	<u>464,546</u>
<b>Total liabilities and fund balances</b>	<u>403,136</u>	<u>61,410</u>	<u>464,546</u>

## WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance  
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	362,470	60,776	423,246
Other	400	200	600
Total revenues	<u>362,870</u>	<u>60,976</u>	<u>423,846</u>
Expenditures:			
Current:			
Support services:			
Transportation services	73,500	-	73,500
Other expenditures:			
Facilities acquisition	<u>407,582</u>	<u>6,826</u>	<u>414,408</u>
Total expenditures	<u>481,082</u>	<u>6,826</u>	<u>487,908</u>
Net change in fund balance	(118,212)	54,150	(64,062)
Fund balances beginning of year, as restated	<u>521,348</u>	<u>7,260</u>	<u>528,608</u>
Fund balance end of year	<u><u>403,136</u></u>	<u><u>61,410</u></u>	<u><u>464,546</u></u>

## WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Yearbook	599	9,551	6,800	-	3,350
Student council	4,320	9,321	7,211	340	6,770
MS student council	1,141	-	-	-	1,141
Cheerleading	536	780	2,615	-	(1,299)
Co-op and Greenthumb	22,732	26,945	26,553	(743)	22,381
FFA	6,241	59,133	54,421	743	11,696
FCCLA	6,375	5,779	8,678	3,859	7,335
Mock trial	-	-	150	-	(150)
Quiz bowl	40	-	170	-	(130)
Thespians	(347)	-	1,401	400	(1,348)
National Honor Society	254	-	912	-	(658)
Drill team	4,034	3,910	4,940	-	3,004
Baseball	(1,903)	4,439	6,693	2,000	(2,157)
Athletics	8,636	12,652	1,564	(4,800)	14,924
Softball	116	7,650	8,996	3,546	2,316
Basketball	16,730	8,044	6,016	-	18,758
Football	9,117	10,505	8,380	220	11,462
Track	(6,058)	8,173	12,249	6,100	(4,034)
Golf	(1,035)	657	1,125	1,100	(403)
Volleyball	6,847	15,939	14,233	-	8,553
Wrestling	(661)	919	3,282	700	(2,324)
Weightlifting	66	-	-	-	66
Class of 2005	23	-	-	(23)	-
Class of 2006	59	-	-	(59)	-
Class of 2007	525	-	-	(525)	-
Class of 2008	1,631	-	-	(1,631)	-
Class of 2009	3,253	-	-	(3,253)	-
Class of 2010	1,031	-	450	(1,031)	(450)
Class of 2011	1,989	1,540	1,715	20	1,834
Class of 2012	(391)	12,655	9,388	420	3,296
Class of 2013	10	-	-	20	30
Class of 2014	-	-	20	20	-
Band	(159)	-	198	200	(157)
Chorus	2,276	-	907	-	1,369
Marketing	236	-	-	-	236
Occupational child care	198	282	184	-	296
Hall of pride	-	529	-	-	529
Chicago trip	240	15,825	15,849	-	216
Elementary activities	5,042	-	717	-	4,325
5th/6th grade student council	2,939	583	405	-	3,117
Concessions	295	9,254	5,395	(4,078)	76

See accompanying independent auditor's report.

## WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Concession maintenance	2,646	-	-	-	2,646
Softball concessions	2,474	8,981	5,602	(3,545)	2,308
Industrial tech. mass production	276	1,626	2,057	-	(155)
Wall Lake activities	19,269	375	-	-	19,644
Total	<u>121,642</u>	<u>236,047</u>	<u>219,276</u>	<u>-</u>	<u>138,413</u>

## WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

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

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local tax	2,572,088	2,579,987	2,239,378	2,095,470	2,160,923	2,129,584	2,186,484	2,056,897
Tuition	1,067,175	122,106	126,996	125,027	100,554	91,017	86,480	166,094
Other	437,187	1,328,844	1,369,912	1,383,179	417,193	275,590	289,357	206,621
Intermediate sources	5,353	-	-	15,671	-	-	-	-
State sources	2,450,852	1,953,030	2,540,572	2,437,886	2,320,783	2,255,492	2,237,989	2,061,465
Federal sources	333,588	483,906	241,354	175,563	202,480	313,267	381,756	281,890
Total revenues	<u>6,866,243</u>	<u>6,467,873</u>	<u>6,518,212</u>	<u>6,232,796</u>	<u>5,201,933</u>	<u>5,064,950</u>	<u>5,182,066</u>	<u>4,772,967</u>
Expenditures:								
Instruction:								
Regular	2,326,223	2,259,481	3,228,674	3,378,908	2,360,222	2,213,817	2,002,333	2,177,654
Special	335,300	292,383	344,567	356,935	310,097	396,141	369,397	473,091
Other	1,926,411	1,878,658	773,903	565,550	600,280	530,374	508,491	385,898
Support services:								
Student	74,378	105,231	66,965	66,431	57,846	60,542	77,135	123,124
Instructional staff	25,768	26,029	39,289	45,818	43,855	64,559	66,897	38,773
Administration	478,599	543,666	528,718	615,774	514,341	463,231	523,287	496,927
Operation and maintenance	637,360	627,642	592,928	624,533	565,834	509,147	385,685	337,200
Transportation	310,175	247,117	309,982	312,120	237,417	318,811	195,394	224,222
Non-instructional programs	-	-	-	-	-	-	-	30,122
Other expenditures:								
Facilities acquisition	414,408	310,147	215,640	534,761	422,413	141,088	61,581	40,014
AEA flowthrough	214,492	204,365	188,230	179,076	173,769	168,840	168,194	171,059
Total expenditures	<u>6,743,114</u>	<u>6,494,719</u>	<u>6,288,896</u>	<u>6,679,906</u>	<u>5,286,074</u>	<u>4,866,550</u>	<u>4,358,394</u>	<u>4,498,084</u>

See accompanying independent auditor's report.

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  
Wall Lake View Auburn Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Wall Lake View Auburn 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 April 25, 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 Wall Lake View Auburn 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 an opinion on the effectiveness of Wall Lake View Auburn Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wall Lake View Auburn 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 and Responses we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

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 and Responses as items 11-I-A, 11-I-B and 11-I-C to be material weaknesses.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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.

Wall Lake View Auburn Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Wall Lake View Auburn 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 Wall Lake View Auburn Community School District and other parties to whom Wall Lake View Auburn Community School District may 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 Wall Lake View Auburn Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

April 25, 2012

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

11-I-C Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The stamp is under the care, custody, and control of the administrative office. This practice negates the internal control procedure established by requiring two signatures on a check.

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

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- 11-II-A Certified Budget: Expenditures for the year ended June 30, 2011, did not exceed the amounts budgeted.
- 11-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 11-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 11-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
Chuck Brotherton, Board Member, part-owner of Lake View Lumber and Wall Lake Lumber	Supplies	26,881
Lisa Drost, Board Member, Part owner of Albrecht Oil	Fuel	17,119

The above transactions appear to be conflicts of interest. Business with District officials is a conflict of interest if bids are not taken or if the total amount exceeds \$2,500.

Recommendation: The District should consult legal council regarding this matter.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

- 11-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 11-II-F Board Minutes: We noted that all Student Activity Fund and Nutrition Fund bills were approved in the month after payment had already been made.

Recommendation: The District should review its procedures for preparing the lists of bills for board approval. Chapter 179.29 of the Code of Iowa provides that "the Board shall audit all claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage and printing, without prior Board approval. The Board may approve a resolution designating certain other disbursements that may be paid prior to a Board Meeting with the approval of the superintendent. The Board's written policy should comply with Chapter 279.30 of the Code of Iowa. Then, except as expressly permitted, no checks should be prepared for claims that have not been properly audited and allowed. Any payments made prior to board approval as allowed should be approved by the board at the next meeting.

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

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

District Response: We will review our procedures for approving the Student Activity and School Nutrition Fund bills.

Conclusion: Response accepted.

11-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

11-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

11-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

11-II-J Certified Annual Report (CAR): The Certified Annual Report was certified timely to the Iowa Department of Education.

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

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

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

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

Conclusion: Response accepted.

11-II-L 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 following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit:

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

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

Beginning balance	\$	\$
		521,348
Revenues/transfers in:		
Statewide sales, services and use tax revenue	362,470	
Other local revenues	400	362,870
	<u>          </u>	<u>884,218</u>
Expenditures/transfers out:		
School infrastructure	407,582	
Equipment	73,500	481,082
	<u>          </u>	<u>          </u>
Ending balance		<u>403,136</u>

11-II-M Old Outstanding Checks: We noted that the District's bank reconciliations included old outstanding checks. Iowa Code Section 566 specifies that holders of unclaimed property, which includes outstanding checks, must file a report and send the unclaimed property to the Treasurer of Iowa.

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

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

Conclusion: Response accepted.

11-II-N Deficit Balances: The Student Activity Fund has several accounts with deficit balances at June 30, 2011.

Recommendation: The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits.

District Response: We are working on ways to eliminate these deficits.

Conclusion: Response accepted.