Wapsie Valley Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2011

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Wapsie Valley Community School District

Officials

Name	Title	Term Expires
	Board of Education	
	(Before September 2010)	
Randy Woods	President	2012
Jerry Van Daele	Vice President	2011
Donna Costello	Board Member	2012
Scott LaRue	Board Member	2011
Merlyn Duffy	Board Member	2011
	Board of Education	
	(After September 2010)	
Randy Woods	President	2012
Jerry Van Daele	Vice President	2011
Donna Costello	Board Member	2012
Scott LaRue	Board Member	2011
Merlyn Duffy	Board Member	2011
	School Officials	
Chad Garber	Superintendent	2011
Carol Foster	District Secretary	2011
Doris Gruetzmacher	District Treasurer	2011
Beth Hansen	Attorney	2011

Keith Oltrogge, CPA, P.C.

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P.O. Box 310
Denver, Iowa 50622
(319) 984-5292
FAX (319) 984-6408

Independent Auditor's Report

To the Board of Education of
Wapsie Valley Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wapsie Valley Community School District, Fairbank, 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. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

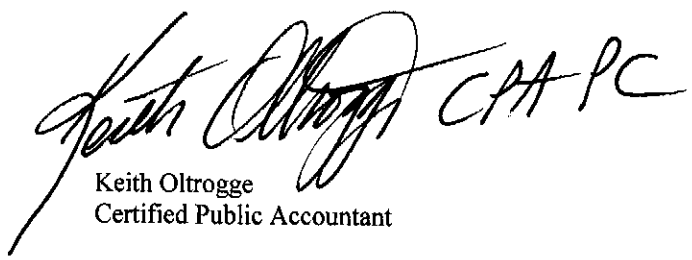
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wapsie Valley Community School District at 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, I have also issued my report dated January 26, 2012 on my consideration of Wapsie Valley Community School District's internal control over financial reporting and my 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 my 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 my audit.

MEMBER: Iowa Society of Certified Public Accountants • Minnesota Society of Certified Public Accountants
• American Institute of Certified Accountants • Division for CPA Firms • Private Companies Practice Section

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wapsie Valley Community School District's basic financial statements. I 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 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge
Certified Public Accountant

January 26, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Wapsie Valley 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 $6,100,977 in fiscal 2010 to $6,899,735 in fiscal 2011, while General Fund expenditures increased from $6,240,013 in fiscal 2010 to $6,482,090 in fiscal 2011. The District's General Fund balance increased from $15,594 in fiscal year 2010 to $433,229 in fiscal year 2011, a 2,778% increase.

- The increase in General Fund revenues was attributable to an increase in state source revenue in fiscal year 2011. The increase in expenditures was due to an increase in the instructional and support service expenditure function areas.

- The increase in the District's General Fund balance resulted in the District's solvency ratio increasing from -0.02% in 2010 to 4.6% in fiscal 2011. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

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 Wapsie Valley 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 Wapsie Valley 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 Wapsie Valley Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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 non-major Governmental Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

Figure A-1
Wapsie Valley Community School District Annual Financial Report

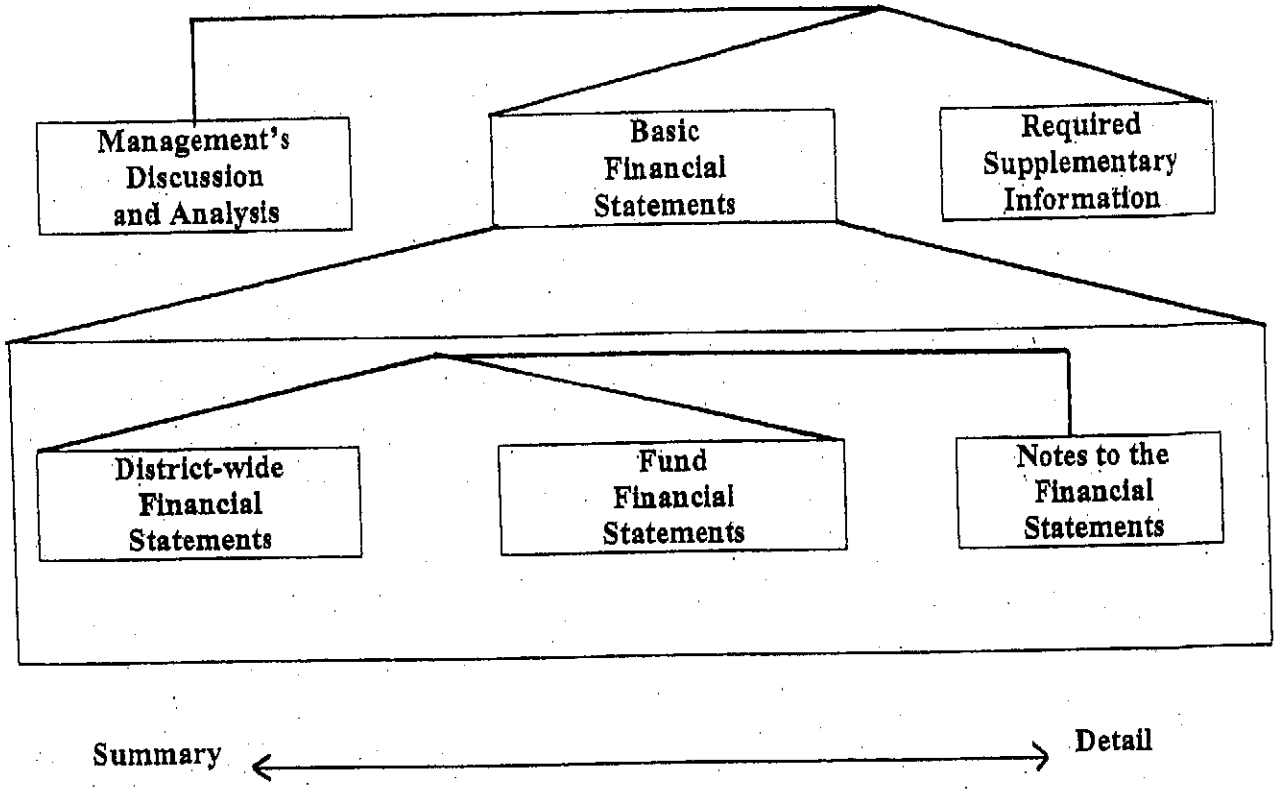


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

		Fund Statements		
	Government-wide 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 and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in fund net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

Reconciliation 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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	$4,872,723	$5,682,788	$25,054	$66,008	$4,897,777	$5,748,796	-14.80%
Capital assets	10,791,445	9,509,156	4,315	4,965	10,795,760	9,514,121	11.80%
Total assets	$15,664,168	$15,191,944	$29,369	$70,973	$15,693,537	$15,262,917	2.70%
Long-term liabilities	$8,596,312	$8,606,328	$-	$-	$8,596,312	$8,606,328	-0.01%
Other liabilities	3,285,193	3,757,546	3,365	3,126	3,288,558	3,760,672	12.50%
Total liabilities	$11,881,505	$12,363,874	$3,365	$3,126	$11,884,870	$12,367,000	3.90%
Net assets:							
Invested in capital assets, net of related debt	$2,597,445	$1,174,156	$4,315	$4,965	$2,601,760	$1,179,121	54.67%
Restricted	1,205,904	529,614	-	-	1,205,904	529,614	56.08%
Unrestricted	18,016	1,192,594	-17,013	-5,412	1,003	1,187,182	-99.90%
Total net assets	$3,821,365	$2,896,364	-$12,698	-$447	$3,808,667	$2,895,917	23.96%

The District's combined net assets increased by nearly 24%, or $912,750, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased $676,280 or 56%, over the prior year. The increase was primarily a result of the reclassification of unrestricted net assets in accordance with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Deficiencies.

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 – decreased by $1,186,179. The decrease was primarily due to the construction of the two new elementary schools, and reclassification to restricted assets. In accordance with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Deficiencies.

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
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	$739,942	$615,372	$163,719	$161,803	$903,661	$777,175	16.3%
Operating grants, contributions and restricted interest	1,323,598	1,209,712	$107,254	107,466	1,430,852	1,317,178	8.6%
Capital grants, contributions and restricted interest	275,000	250,000	-	-	275,000	250,000	10.0%
General revenues:							
Property tax	2,499,367	2,501,963	-	-	2,499,367	2,501,963	0%
Statewide sales, services and use tax	480,399	426,512	-	-	480,399	426,512	12.6%
Unrestricted state grants	3,022,464	2,426,533	-	-	3,022,464	2,426,533	24.6%
Unrestricted investment earnings	16,786	43,920	190	334	16,976	44,254	-61.6%
Other	97,669	130,707	-	-	97,669	130,707	-25.3%
Total revenues	$8,455,225	$7,604,719	$271,163	$269,603	$8,726,388	$7,874,322	11.2%
Program expenses:							
Governmental activities:							
Instruction	$5,057,166	$4,380,341	$-	$-	$5,057,166	$4,380,341	15.5%
Support services	1,528,552	1,647,835	-	-	1,528,552	1,647,835	-7.2%
Non-instructional programs	11,843	5,671	283,414	258,037	295,257	263,708	12.0%
Other expenses	932,663	824,549	-	-	932,663	824,549	13.1%
Total expenses	$7,530,224	$6,858,396	$283,414	258,037	$7,813,638	$7,116,433	9.8%
Change in net assets	$925,001	$746,323	-$12,251	$11,566	$912,750	$757,889	20.4%

In fiscal year 2011, property tax and unrestricted state grants account for 65.3% of the total governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue.

The District's total revenues were approximately $8.7 million, of which approximately $8.4 million was for governmental activities and $0.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 11.2% increase in revenues and a 9.8% increase in expenses. Property tax decreased approximately $2,600. The increase in expenses is related to an increase in instructional and support service expenditure functional areas.

Governmental Activities

Revenues for governmental activities were $8,455,225 and expenses were $7,530,244 for the year ended June 30, 2011. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services		Change	Net Cost of Services		Change
	2011	2010	2010-2011	2011	2010	2010-2011
Instruction	$5,057,166	$4,380,341	15.5%	$3,001,871	$2,568,241	16.9%
Support services	1,528,552	1,647,835	-7.2%	1,520,307	1,634,851	-7.0%
Non-instructional programs	11,843	5,671	108.8%	11,843	5,671	108.8%
Other expenses	932,663	824,549	13.1%	657,663	574,549	14.5%
Totals	$7,530,224	$6,858,396	10.2%	$5,191,684	$4,783,312	8.5%

- The cost financed by users of the District's programs was $903,661.
- Federal and state governments subsidized certain programs with grants and contributions totaling $1,430,852.
- The net cost of governmental activities was financed with $2,979,766 in property and other taxes and $3,022,464 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were $271,163 and expenses were $283,414. 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, Wapsie Valley 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 $3,821,365 well above last year's ending fund balances of $2,896,364.

Governmental Fund Highlights

- The District's recovering General Fund financial position is the result of many factors. Growth during the year in tax and state grants resulted in an increase in revenues.
- The General Fund balance increased from $15,594 to $433,229 due, in part, to the close monitoring of expenditures.
- The Capital Project Funds balance decreased $748,712 due to the construction of the two new elementary buildings.
    - The Statewide Sale, Service and Use Tax Fund balance increased by $46,450 due to the increase in taxes collected.
    - The Physical Plant and Equipment Levy Fund balance decreased by $15,271 due to increased expenditure for operation and maintenance of plant services expenditures.
    - The Other Capital Projects Fund balance decreased by $779,871 due to the construction of the two new elementary buildings.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from -$447 at June 30, 2010 to -$12,698 at June 30, 2011, representing a decrease of $12,251 or 96%. The decrease in net assets was due to the increase in salaries for food service operations.

BUDGETARY HIGHLIGHTS

The District's receipts were $379,279 more than budgeted receipts, a variance of 4.5%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested $10,791,445, 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 13.4% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was $295,594.

The original cost of the District's capital assets was $17,281,329. Governmental funds account for $17,273,535, with the remainder of $7,794 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	$40,616	$40,616	$-	$-	$40,616	$40,616	0.0%
Construction in process	-	7,114,406	-	-	-	7,114,406	-100.0%
Buildings	10,214,964	1,789,018	-	-	10,214,964	1,789,018	82.49%
Improvements other than buildings	171,064	131,997	-	-	171,064	131,997	22.84%
Furniture and equipment	364,801	433,119	4,315	4,965	369,116	438,084	-15.74%
Totals	$10,791,445	$9,509,156	$4,315	$4,965	$10,795,760	$9,514,121	11.87%

Long-Term Debt

At June 30, 2011, the District had $8,194,000 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 1.7% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately $14.1 million.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
General obligation bonds	$7,870,000	$7,975,000	-1.32%
Revenue bonds	324,000	360,000	-1.00%
Totals	$8,194,000	$8,335,000	-1.69%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Funding from federal and state sources could be reduced as budget concerns and cutbacks are dealt with at those levels of government.
- Employee benefits, especially health care costs, continue to rise with the effects of new health care legislation.
- Enrollment has decreased over the past three years affecting state funding.

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 Carol Foster, District Secretary, Wapsie Valley Community School District, 2535 Viking Avenue, Fairbank IA 50629.

Basic Financial Statements

Wapsie Valley Community School District

Statement of Net Assets

June 30, 2011

	Govern-mental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	$ 1,958,648	$ 18,977	$ 1,977,625
Receivables:			
Property tax:			
Delinquent	25,009	-	25,009
Succeeding year	2,366,742	-	2,366,742
Accounts	5,578	817	6,395
Due from other governments	516,746	-	516,746
Inventories	-	5,260	5,260
Capital assets, net of accumulated depreciation	10,791,445	4,315	10,795,760
Total Assets	$ 15,664,168	$ 29,369	$ 15,693,537
Liabilities			
Accounts payable	$ 17,082	$ -	$ 17,082
Salaries and benefits payable	559,975	-	559,975
Due from other governments	5,928	-	5,928
Accrued interest payable	56,415	-	56,415
Deferred revenue-succeeding year property tax	2,366,742	-	2,366,742
Deferred revenue-other	279,051	3,365	282,416
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	315,000	-	315,000
Revenue bonds	36,000	-	36,000
Early retirement	42,352	-	42,352
Compensated absences	89,685	-	89,685
Portion due after one year:			
General obligation bonds payable	7,555,000	-	7,555,000
Revenue bonds	288,000	-	288,000
Early retirement	113,232	-	113,232
Net OPEB liability	157,043	-	157,043
Total Liabilities	$ 11,881,505	$ 3,365	$ 11,884,870
Net Assets			
Invested in capital assets, net of related debt	$ 2,597,445	$ 4,315	$ 2,601,760
Restricted for:			
Categorical funding	134,604	-	134,604
Debt service	69,588	-	69,588
Student activities	38,068	-	38,068
Physical plant and equipment levy	212,999	-	212,999
Other special revenues purposes	750,645	-	750,645
Unrestricted	18,016	-17,013	1,003
Total Net Assets	$ 3,821,365	$ -12,698	$ 3,808,667

See notes to financial statements.

Wapsie Valley Community School District

Statement of Activities

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	$ 3,316,921	$ 289,302	$ 1,185,652	$ -
Special instruction	722,941	102,127	121,547	-
Other instruction	1,017,304	348,513	8,154	-
	$ 5,057,166	$ 739,942	$ 1,315,353	$ -
Support Services:				
Student services	$ 182,537	$ -	$ 4,557	$ -
Instructional staff services	30,365	-	-	-
Administration services	540,757	-	1,500	-
Operation and maintenance of plant services	508,333	-	-	-
Transportation services	266,560	-	2,188	-
	$ 1,528,552	$ -	$ 8,245	$ -
Non Instructional:				
Food service operations	$ 11,843	$ -	$ -	$ -
Other Expenditures:				
Facilities acquisition	$ 275,000	$ -	$ -	$ 275,000
Long-term debt interest	352,998	-	-	-
AEA flow-through	304,665	-	-	-
	$ 932,663	$ -	$ -	$ 275,000
Total Governmental Activities	$ 7,530,224	$ 739,942	$ 1,323,598	$ 275,000
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	$ 283,414	$ 163,719	$ 107,254	$ -
Total	$ 7,813,638	$ 903,661	$ 1,430,852	$ 275,000

See notes to financial statements.

Net (Expense) Revenue And Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
$ -1,841,967	$ -	$ -1,841,967
-499,267	-	-499,267
-660,637	-	-660,637
$ -3,001,871	$ -	$ -3,001,871
$ -177,980	$ -	$ -177,980
-30,365	-	-30,365
-539,257	-	-539,257
-508,333	-	-508,333
-264,372	-	-264,372
$ -1,520,307	$ -	$ -1,520,307
$ -11,843	$ -	$ -11,843
$ -	$ -	$ -
-352,998	-	-352,998
-304,665	-	-304,665
$ -657,663	$ -	$ -657,663
$ -5,191,684	$ -	$ -5,191,684
$ -	$ -12,441	$ -12,441
$ -5,191,684	$ -12,441	$ -5,204,125

Wapsie Valley Community School District

Statement of Activities

Year Ended June 30, 2011

		Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
General Revenues:				
Property Tax Levied For:				
General purposes				
Debt service				
Capital outlay				
Statewide sales, service and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total General Revenues				
Change in net assets				
Net assets beginning of year				
Net Assets End of Year				

See notes to financial statements.

Net (Expense) Revenue And Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
$ 2,175,086	$ -	$ 2,175,086
162,142	-	162,142
162,139	-	162,139
480,399	-	480,399
3,022,464	-	3,022,464
16,786	190	16,976
97,669	-	97,669
$ 6,116,685	$ 190	$ 6,116,875
$ 925,001	$ -12,251	$ 912,750
2,896,364	-447	2,895,917
$ 3,821,365	$ -12,698	$ 3,808,667

Wapsie Valley Community School District

Balance Sheet
Governmental Funds

June 30, 2011

	General	Capital Projects	Non-major Funds	Total
Assets				
Cash and pooled investments	$ 828,453	$ 847,275	$ 282,920	$ 1,958,648
Receivables:				
Property Tax:				
Delinquent	20,334	1,774	2,901	25,009
Succeeding year	1,904,431	168,656	293,655	2,366,742
Accounts	5,522	-	56	5,578
Due from other funds	40,971	-	-	40,971
Due from other governments	399,882	116,864	-	516,746
Total Assets	$ 3,199,593	$ 1,134,569	$ 579,532	$ 4,913,694
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 16,979	$ -	$ 103	$ 17,082
Salaries and benefits payable	559,975	-	-	559,975
Due to other funds	-	2,269	-	2,269
Due to other governments	5,928	-	-	5,928
Deferred Revenue:				
Succeeding year property tax	1,904,431	168,656	293,655	2,366,742
Other	279,051	-	-	279,051
Total Liabilities	$ 2,766,364	$ 170,925	$ 293,758	$ 3,231,047
Fund Balances:				
Restricted for:				
Categorical funding	$ 134,604	$ -	$ -	$ 134,604
Debt service	-	-	69,588	69,588
Management levy purposes	-	-	178,118	178,118
Student activities	-	-	38,068	38,068
School infrastructure	-	750,645	-	750,645
Physical plant and equipment	-	212,999	-	212,999
Unassigned	298,625	-	-	298,625
Total fund balances	$ 433,229	$ 963,644	$ 285,774	$ 1,682,647
Total Liabilities and Fund Balances	$ 3,199,593	$ 1,134,569	$ 579,532	$ 4,913,694

See notes to financial statements.

Wapsie Valley Community School District

Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (page 16)	$	1,682,647
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds		10,791,445
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		-56,415
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds		-8,596,312
Net assets of governmental activities (page 15)	$	3,821,365

See notes to financial statements.

Wapsie Valley Community School District

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

Year Ended June 30, 2011

	General	Capital Projects	Non-Major Funds	Total
Revenues:				
Local Sources:				
Local tax	$ 2,075,305	$ 642,538	$ 261,923	$ 2,979,766
Tuition	351,528	-	-	351,528
Other	127,099	13,308	362,462	502,869
Intermediate sources	-	-	-	-
State sources	3,883,071	101	158	3,883,330
Federal sources	462,732	275,000	-	737,732
Total Revenues	$ 6,899,735	$ 930,947	$ 624,543	$ 8,455,225
Expenditures:				
Current:				
Instruction:				
Regular instruction	$ 3,200,878	$ -	$ 61,681	$ 3,262,559
Special instruction	722,941	-	-	722,941
Other instruction	681,577	-	376,022	1,057,599
	$ 4,605,396	$ -	$ 437,703	$ 5,043,099
Support Services:				
Student services	$ 176,549	$ -	$ -	$ 176,549
Instructional staff services	30,365	-	-	30,365
Administration services	529,976	10	456	530,442
Operation and maintenance of plant services	606,638	61,680	85,494	753,812
Transportation services	228,501	-	-	228,501
	$ 1,572,029	$ 61,690	$ 85,950	$ 1,719,669
Other Expenditures:				
Facility acquisition	$ -	$ 1,261,098	$ -	$ 1,261,098
Long-term debt:				
Principal	-	-	341,000	341,000
Interest and fiscal charges	-	-	354,883	354,883
AEA flow-through	304,665	-	-	304,665
	$ 304,665	$ 1,261,098	$ 695,883	$ 2,261,646
Total Expenditures	$ 6,482,090	$ 1,322,788	$ 1,219,536	$ 9,024,414
Excess (deficiency) of revenues over (under) expenditures	$ 417,645	$ -391,841	$ -594,993	$ -569,189
Other Financing Sources (Uses):				
General obligation bonds issued	$ -	$ 200,000	$ -	$ 200,000
Operating transfers in	-	10	556,881	556,891
Operating transfers out	-10	-556,881	-	-556,891
Total Other Financing Sources (Uses)	$ -10	$ -356,871	$ 556,881	$ 200,000
Net change in fund balances	$ 417,635	$ -748,712	$ -38,112	$ -369,189
Fund balances beginning of year, as restated	15,594	1,712,356	323,886	2,051,836
Fund Balances End of Year	$ 433,229	$ 963,644	$ 285,774	$ 1,682,647

See notes to financial statements.

Wapsie Valley 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

Net change in fund balances – total governmental funds (page 18)		$ -369,189
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, these costs are not reported in the Statement of Net Assets 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	$ 1,577,237	
Depreciation expense	-294,948	1,282,289
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 repayments exceeded issues, as follows:		
Issued	$ -200,000	
Repaid	341,000	141,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		1,885
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:		
Early retirement	$ -58,316	
Compensated absences	-2,625	
Other postemployment benefits	-70,043	-130,984
Change in Net Assets of Governmental Activities (page 15)		$ 925,001

See notes to financial statements.

Wapsie Valley Community School District

Statement of Net Assets
Proprietary Fund

June 30, 2011

	School Nutrition
Assets	
Cash and cash equivalents	$ 18,977
Accounts receivable	817
Inventories	5,260
Capital assets, net of accumulated depreciation	4,315
Total Assets	$ 29,369
Liabilities	
Inter-fund payable	$ 38,702
Deferred revenue	3,365
Total Liabilities	$ 42,067
Net Assets	
Invested in capital assets, net of related debt	$ 4,315
Unrestricted	-17,013
Total Net Assets	$ -12,698

See notes to financial statements.

Wapsie Valley Community School District

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

Year Ended June 30, 2011

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	$ 163,719
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	$ 97,537
Benefits	48,198
Purchased services	1,036
Supplies	135,994
Depreciation	649
Total operating expenses	$ 283,414
Operating loss	$ -119,695
Non-operating revenues:	
State sources	$ 2,986
Federal sources	104,268
Interest income	190
Total non-operating revenues	$ 107,444
Change in net assets	$ -12,251
Net assets beginning of year	-447
Net Assets End of Year	$ -12,698

See notes to financial statements.

Wapsie Valley Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	$ 163,678
Cash paid to employees for services	-175,327
Cash paid to suppliers for goods or services	-113,974
Net cash used by operating activities	$ -125,623
Cash flows from non-capital financing activities:	
State grants received	$ 2,986
Federal grants received	83,382
Net cash provided by non-capital financing activities	$ 86,368
Cash flows from investing activities:	
Interest on investments	$ 190
Net decrease in cash and cash equivalents	$ -39,065
Cash and cash equivalents beginning of year	58,042
Cash and Cash Equivalents End of Year	$ 18,977
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ -119,695
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	20,886
Depreciation	649
Decrease in inventories	2,272
(Increase) in accounts receivable	-383
Increase in deferred revenue	240
(Decrease) in inter-fund payable	-29,592
Net Cash Used by Operating Activities	$ -125,623

Non-cash investing, capital and financing activities:
During the year ended June 30, 2011, the District received $20,886 of federal commodities.

See notes to financial statements.

(1) Summary of Significant Accounting Policies

Wapsie Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Readlyn, Fairbank and Oran, Iowa and portions of the predominately agricultural territories in Bremer, Buchanan, Fayette and Black Hawk 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, Wapsie Valley 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. Wapsie Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – 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 non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 non-fiduciary 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, amortization 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 that do not meet 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 that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

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

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

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

Under 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 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.

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.

Asset Class	Amount
Land	$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

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 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.

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 that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity – In the governmental fund financial statements, 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.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable 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 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.

During the year ended June 30, 2011, expenditures in the instruction functional area exceeded the amount 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.

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 $299,660 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Due From and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2011 is as follows:

Receivable Fund	Payable Fund		Amount
General Fund	Capital Projects-Physical Plant and Equipment Levy	$	2,269
General Fund	Enterprise - Nutrition		38,702
Capital Projects-Physical Plant and Equipment Levy	Capital Projects – Statewide Sales and Service Use Tax		149,187
		$	190,158

The Nutrition Fund owes the General Fund for salaries paid in prior years. The balance will be repaid when the funds become available. The Capital Projects-Physical Plant and Equipment Levy owed the General Fund for property taxes transferred in error. The Capital Project-Statewide Sales, Service and Use Tax Fund owed the Capital Projects-Physical Plant and Equipment Levy for capital asset expenditures made during the prior year.

(4) Inter-fund Transfers

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

Transfer to	Transfer from		Amount
Debt Service	Capital Projects	$	556,881
Capital Projects	General		10
Total		$	556,891

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

(5) Capital Assets

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

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 40,616	$ -	$ -	$ 40,616
Construction in process	7,114,406	-	7,114,406	-
Total capital assets not being depreciated	$ 7,155,022	-	7,114,406	40,616
Capital assets being depreciated:				
Buildings	$ 4,996,507	$ 8,561,907	$ -	$ 13,558,414
Improvements other than buildings	476,603	52,351	-	528,954
Furniture and equipment	3,068,166	77,385	-	3,145,551
Total capital assets being depreciated	$ 8,541,276	$ 8,691,643	$ -	$ 17,232,919
Less accumulated depreciation for:				
Buildings	$ 3,207,489	$ 135,961	$ -	$ 3,343,450
Improvements other than buildings	344,606	13,284	-	357,890
Furniture and equipment	2,635,047	145,703	-	2,780,750
Total accumulated depreciation	$ 6,187,142	$ 294,948	$ -	$ 6,482,090
Total capital assets being depreciated, net	$ 2,354,134	$ 8,396,695	$ -	$ 10,750,829
Governmental Activities Capital Assets, Net	$ 9,509,156	$ 8,396,695	$ 7,114,406	$ 10,791,445

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	$ 7,794	$ -	$ -	$ 7,794
Less accumulated depreciation	2,830	649	-	3,479
Business Type Activities Capital Assets, Net	$ 4,964	$ 649	$ -	$ 4,315

Depreciation expense was charged to the following functions:

Governmental Activities:	
Instruction:	
Regular	$ 220,631
Other	10,235
Support services:	
Administration	2,470
Operation and maintenance of plant	23,553
Transportation	38,059
Total Depreciation Expense – Governmental Activities	$ 294,948
Business Type Activities:	
Food service operations	$ 649

(6) 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
General obligation bonds	$ 7,975,000	$ 200,000	$ 305,000	$ 7,870,000	$ 315,000
Compensated absences	87,060	2,625	-	89,685	89,685
Early retirement	97,268	111,769	53,453	155,584	42,352
Revenue bonds	360,000	-	36,000	324,000	36,000
Net OPEB liability	87,000	142,043	72,000	157,043	-
Total	$ 8,606,328	$ 456,437	$ 466,453	$ 8,596,312	$ 483,037

Early Retirement

In January 2011, the District approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have completed at least fifteen years of full time service to the District and must have reached the age of fifty-five before June 30, 2011. The application for early retirement was subject to approval by the Board of Education. Each eligible employee approved by the Board will receive $10,000 and up to five years of single health insurance. At June 30, 2011, the District had obligations to four participants with a total liability of $155,584.

General Obligation Bonds Payable

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

Series 2002

Year Ending	Interest Rate	Principal	Interest	Total
2012	4.60%	$ 180,000	$ 8,280	$ 188,280
Total		$ 180,000	$ 8,280	$ 188,280

Series 2009

Year Ending	Interest Rate	Principal	Interest	Total
2012	4.40%	$ 115,000	$ 223,280	$ 338,280
2013	4.40%	120,000	218,220	338,220
2014	4.40%	125,000	212,940	337,940
2015	4.40%	130,000	207,440	337,440
2016	4.40%	240,000	201,720	441,720
2017	4.40%	250,000	191,160	441,160
2018	4.40%	260,000	180,160	440,160
2019	4.40%	270,000	168,720	438,720
2020	4.40%	280,000	156,840	436,840
2021	4.40%	290,000	144,520	434,520
2022	4.40%	300,000	131,760	431,760
2023	4.40%	315,000	118,560	433,560
2024	4.50%	330,000	104,700	434,700
2025	4.60%	345,000	89,850	434,850
2026	4.70%	360,000	73,980	433,980
2027	4.75%	375,000	57,060	432,060
2028	4.85%	395,000	39,247	434,247
2029	4.90%	410,000	20,090	430,090
Total		$ 4,910,000	$ 2,540,247	$ 7,450,247

General Obligation Bonds Payable (continued):

Series 2010

Year Ending	Interest Rate	Principal	Interest	Total
2012	2.0%	$ -	$ 105,530	$ 105,530
2013	2.0%	75,000	105,530	180,530
2014	2.0%	75,000	104,030	179,030
2015	2.5%	75,000	102,530	177,530
2016	2.5%	75,000	100,655	175,655
2017	3.0%	100,000	98,780	198,780
2018	3.0%	105,000	95,780	200,780
2019	3.5%	110,000	92,630	202,630
2020	3.5%	110,000	88,780	198,780
2021	3.5%	115,000	84,930	199,930
2022	4.0%	125,000	80,905	205,905
2023	4.0%	130,000	75,905	205,905
2024	4.0%	135,000	70,705	205,705
2025	4.5%	140,000	65,305	205,305
2026	4.5%	145,000	59,005	204,005
2027	4.6%	155,000	52,480	207,480
2028	4.6%	160,000	45,350	205,350
2029	4.7%	170,000	37,990	207,990
2030	5.0%	600,000	30,000	630,000
Total		$ 2,600,000	$ 1,496,820	$ 4,096,820

Series 2010 Energy Management Capital Loan Notes

Year Ending	Interest Rate	Principal	Interest	Total
2012	3.0%	$ 20,000	$ 5,400	$ 25,400
2013	3.0%	20,000	4,800	24,800
2014	3.0%	20,000	4,200	24,200
2015	3.0%	20,000	3,600	23,600
2016	3.0%	20,000	3,000	23,000
2017	3.0%	20,000	2,400	22,400
2018	3.0%	20,000	1,800	21,800
2019	3.0%	20,000	1,200	21,200
2020	3.0%	20,000	600	20,600
Total		$ 180,000	$ 27,000	$ 207,000

Revenue Bonds

Details of the District's June 30, 2011 Revenue Bond indebtedness is as follows:

REC Revenue Bond issued June 1, 2011 no interest loan.

Year Ending		Principal
2012	$	36,000
2013		36,000
2014		36,000
2015		36,000
2016		36,000
2017		36,000
2018		36,000
2019		36,000
2020		36,000
Total	$	324,000

The District has pledged future statewide sales, services and use tax revenues to repay the $360,000 of bonds issued on June 1, 2011. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable thru 2020. 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 payments on the bonds are expected to require 8 percent of the statewide sales, services and use tax revenues. The total principal remaining to be paid on the notes is $324,000. For the current year, $36,000 principal and no interest was paid on the bonds and total statewide sales, services and use tax revenues were $480,399.

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

a) A sinking fund is required for monthly deposits equal to the amount necessary to pay in full the installment of principal coming due.

The District did not comply with all of the revenue bond provisions during the year ended June 30, 2011. The required reserve account was not established by the District and no transfers were made to the sinking account.

During the year ended June 30, 2011, the District made principal, interest and fees payments totaling $694,333 under the agreements.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, 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 $254,254, $223,062 and $199,835, respectively, equal to the required contributions for each year.

(8) 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 79 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011; the amount actually contributed to the plan and changes in the County's net OPEB obligations:

Annual required contribution	$	142,000
Interest on net OPEB obligation		3,480
Adjustment to annual required contribution		-3,437
Annual OPEB cost	$	142,043
Contributions made		-72,000
Increase in net OPEB obligation	$	70,043
Net OPEB obligation beginning of year		87,000
Net OPEB obligation end of year	$	157,043

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. 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 $72,000 to the medical plan. Plan members eligible for benefits contributed $37,000, or 34% 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	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$142,000	38.73%	$87,000
June 30, 2011	$142,000	50.70%	$157,043

Funded Status and Funding Progress – As of July 1, 2010, the actuarial accrued liability was $1.291 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $1.291 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately $2,844,000 and the ratio of the UAAL to covered payroll was 45.4%. 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.

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 July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

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

Projected claim costs of the medical plan are $510.62 per month for retirees less than age 65 and $510.62 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled $304,665 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.

(11) Commitments

The District entered into a construction contract to build two new elementary schools in Readlyn and Fairbank at a cost of $8 million. The construction was completed in the fall of 2010. Construction was funded by a $5,025,000 bond issue in May 2009, a $2,600,000 bond issued May 2010 and a $360,000 Revenue Bond issued June 1, 2011. At June 30, 2011, $193,502 in retainage was due on the projects.

(12) Categorical Funding

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

Program		Amount
Gifted and Talented	$	47,422
Foster Care Claim		3,036
Beginning Teacher Mentoring		2,962
Teacher Salary Supplement		53,279
Non Public Textbooks		82
Core Curriculum		11,254
Professional Development		3,358
Limited English Proficiency		11,912
Home School Assistance		1,299
	$	134,604

(13) Subsequent Events

On June 24, 2011 there was a fire at the new Readlyn Elementary School. To date the damages are $418,891, with insurance proceeds of $389,092. The fire was started by an HVAC unit.

The District has evaluated subsequent events through January 26, 2012 which is the date that the financial statements were available to be issued.

(14) Deficit Balances

The School Nutrition Fund had a deficit balance of $12,698 at June 30, 2011. The deficit balance was a result of fund costs incurred exceeding available revenues. The deficit plans to be eliminated with future budget cut backs.

(15) 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:

		Capital Projects		Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	$	1,484,086	$	228,270
Change in fund type classification per implementation of GASB Statement No. 54		228,270		-228,270
Balances July 1, 2010, as restated	$	1,712,356	$	-

	Total Actual		Budgeted Amounts		Variance
$	3,998,072	$	3,842,158	$	155,914
	-		-		-
	3,886,316		4,192,951		-306,635
	842,000		312,000		530,000
$	8,726,388	$	8,347,109	$	379,279
$	5,043,099	$	5,024,700	$	-18,399
	1,719,669		1,829,351		109,682
	283,414		287,561		4,147
	2,261,646		4,986,615		2,724,969
$	9,307,828	$	12,128,227	$	2,820,399
$	-581,440	$	-3,781,118	$	3,199,678
	200,000		-		200,000
$	-381,440	$	-3,781,118	$	3,399,678
	2,051,389		4,387,467		-2,336,078
$	1,669,949	$	606,349	$	1,063,600

Wapsie Valley 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 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.

During the year ended June 30, 2011, expenditures in the instruction function exceeded the amount budgeted.

Wapsie Valley Community School District

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

June 30, 2011

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	-	$1.291	$1.291	0.0%	$3.015	42.8%
2011	Jul 1, 2009	-	$1.291	$1.291	0.0%	$2.844	45.4%

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

See accompanying independent auditor's report

Other Supplementary Information

Wapsie Valley Community School District

Combining Balance Sheet
Non-Major Funds

June 30, 2011

	Special Revenue			
	Debt Service	Management Levy	Student Activity	Total
Assets				
Cash and pooled investments	$ 67,814	$ 176,991	$ 38,115	$ 282,920
Receivables:				
Property Tax:				
Delinquent	1,774	1,127	-	2,901
Succeeding year	168,656	124,999	-	293,655
Accounts	-	-	56	56
Total Assets	$ 238,244	$ 303,117	$ 38,171	$ 579,532
Liabilities & Fund Equity				
Liabilities:				
Accounts payable	$ -	$ -	$ 103	$ 103
Deferred revenue:				
Succeeding year property tax	168,656	124,999	-	293,655
Total Liabilities	$ 168,656	$ 124,999	$ 103	$ 293,758
Fund Balances:				
Restricted for:				
Debt service	$ 69,588	$ -	$ -	$ 69,588
Management levy purposes	-	178,118	-	178,118
Student activities	-	-	38,068	38,068
Total fund balances	$ 69,588	$ 178,118	$ 38,068	$ 285,774
Total Liabilities and Fund Balances	$ 238,244	$ 303,117	$ 38,171	$ 579,532

See accompanying independent auditor's report.

Wapsie Valley Community School District

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Funds

Year Ended June 30, 2011

	Debt Service	Special Revenue: Management Levy	Special Revenue: Student Activity	Total
Revenues:				
Local Sources:				
Local tax	$ 162,142	$ 99,781	$ -	$ 261,923
Other	-	8,760	353,702	362,462
State sources	97	61	-	158
Total Revenues	$ 162,239	$ 108,602	$ 353,702	$ 624,543
Expenditures:				
Current:				
Instruction:				
Instruction	$ -	$ 61,681	$ -	$ 61,681
Other instruction	-	-	376,022	376,022
Support Services:				
Administration services	-	456	-	456
Operation and maintenance of plant services	-	85,494	-	85,494
Other Expenditures:				
Long-Term Debt:				
Principal	341,000	-	-	341,000
Interest and fiscal charges	354,883	-	-	354,883
Total Expenditures	$ 695,883	$ 147,631	$ 376,022	$ 1,219,536
Excess (deficiency) of revenues over (under) expenditures	$ -533,644	$ -39,029	$ -22,320	$ -594,993
Other Financing Sources (Uses):				
Operating transfers in (out)	$ 556,881	$ -	$ -	$ 556,881
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	$ 23,237	$ -39,029	$ -22,320	$ -38,112
Fund balances beginning of year, as restated	46,351	217,147	60,388	323,886
Fund Balances End of Year	$ 69,588	$ 178,118	$ 38,068	$ 285,774

See accompanying independent auditor's report.

Wapsie Valley 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	Other Capital Project Funds	Total
Assets				
Cash and pooled investments	$ 548,905	$ 64,307	$ 234,063	$ 847,275
Receivables:				
Property Tax:				
Delinquent	-	1,774	-	1,774
Succeeding year	-	168,656	-	168,656
Due from other governments	116,864	-	-	116,864
Due from other funds	-	149,187	-	149,187
Total Assets	$ 665,769	$ 383,924	$ 234,063	$ 1,283,756
Liabilities & Fund Equity				
Liabilities:				
Due to other funds	$ 149,187	$ 2,269	$ -	$ 151,456
Deferred revenue:				
Succeeding year property tax	-	168,656	-	168,656
Total Liabilities	$ 149,187	$ 170,925	$ -	$ 320,112
Fund Balances:				
Restricted for:				
School infrastructure	$ 516,582	$ -	$ 234,063	$ 750,645
Physical plant and equipment	-	212,999	-	212,999
Total fund balances	$ 516,582	$ 212,999	$ 234,063	$ 963,644
Total Liabilities and Fund Balances	$ 665,769	$ 383,924	$ 234,063	$ 1,283,756

See accompanying independent auditor's report.

Wapsie Valley Community School District

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	Other Capital Project Funds	Total
Revenues:				
Local Sources:				
Local tax	$ 480,399	$ 162,139	$ -	$ 642,538
Other	6,609	1,092	5,607	13,308
State sources	-	101	-	101
Federal sources	-	25,000	250,000	275,000
Total Revenues	$ 487,008	$ 188,332	$ 255,607	$ 930,947
Expenditures:				
Support Services:				
Administration services	$ -	$ -	$ 10	$ 10
Operation and maintenance of plant services	-	61,680	-	61,680
Other Expenditures:				
Facilities acquisition	-	25,000	1,236,098	1,261,098
Total Expenditures	$ -	$ 86,680	$ 1,236,108	$ 1,322,788
Excess (deficiency) of revenues over (under) expenditures	$ 487,008	$ 101,652	$ -980,501	$ -391,841
Other Financing Sources (Uses):				
General obligation bonds issued	$ -	$ -	$ 200,000	$ 200,000
Operating transfers in (out)	-440,558	-116,923	610	-556,871
Total other financing sources (uses)	$ -440,558	$ -116,923	$ 200,610	$ -356,871
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	$ 46,450	$ -15,271	$ -779,891	$ -748,712
Fund balances beginning of year, as restated	470,132	228,270	1,013,954	1,712,356
Fund Balances End of Year	$ 516,582	$ 212,999	$ 234,063	$ 963,644

See accompanying independent auditor's report.

Required Supplementary Information

Wapsie Valley Community School District

Budgetary Comparison Schedule of Revenue, 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 Actual	Proprietary Fund Actual
Receipts:		
Local sources	$ 3,834,163	$ 163,909
Intermediate sources	-	-
State sources	3,883,330	2,986
Federal sources	737,732	104,268
Total Receipts	$ 8,455,225	$ 271,163
Disbursements:		
Instruction	$ 5,043,099	$ -
Support services	1,719,669	-
Non-instructional programs	-	283,414
Other expenditures	2,261,646	-
Total Disbursements	$ 9,024,414	$ 283,414
Excess (deficiency) of receipts over (under) disbursements	$ -569,189	$ -12,251
Other financing sources (uses) net	200,000	-
Excess (deficiency) of receipts and other financing sources over (under) disbursement	$ 369,189	$ -12,251
Balances beginning of year	2,051,836	-447
Balances End of Year	$ 1,682,647	$ -12,698

See accompanying independent auditor's report.

Wapsie Valley Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2011

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Transfers	Balance End of Year
Ed Foundation	$ 62,790	$ 75,026	$ 92,467	$ 30	$ 45,379
Resale:					
Industrial Arts	655	163	153	-	665
Athletics	-48,715	188,920	188,826	-	-48,621
Yearbook	407	9,524	4,235	-	5,696
Music programs	1,854	6,606	8,079	-	381
Music Trust Fund	6,248	454	-	-	6,702
Student Council	330	1,845	1,298	-1	876
Vocational Agriculture Club	27,744	56,994	71,137	-	13,601
Junior High Student Council	1,898	-	808	-	1,090
Interest	126	5,189	-	-30	5,285
Class of 2010	1,574	-	1,535	1	40
Class of 2011	3,775	1,844	2,860	-1	2,758
Class of 2012	545	6,574	4,624	1	2,496
Children's Emergency Fund	1,157	563	-	-	1,720
Total	$ 60,388	$ 353,702	$ 376,022	$ -	$ 38,068

See accompanying independent auditor's report.

Wapsie Valley 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
Revenues:				
Local Sources:				
Local tax	$ 2,979,766	$ 2,928,475	$ 2,709,572	$ 2,393,271
Tuition	351,528	248,007	211,560	191,073
Other	502,869	541,992	476,787	456,548
Intermediate sources	-	-	-	-
State sources	3,883,330	3,171,268	3,721,162	3,480,100
Federal sources	737,732	714,977	283,084	143,076
Total	$ 8,455,225	$ 7,604,719	$ 7,402,165	$ 6,664,068
Expenditures:				
Instruction:				
Regular instruction	$ 3,262,559	$ 3,151,482	$ 3,147,107	$ 2,978,621
Special instruction	722,941	702,027	677,604	608,310
Other instruction	1,057,599	946,034	841,993	887,338
Support services:				
Student services	176,549	154,509	147,331	143,857
Instructional staff services	30,365	27,608	31,780	53,431
Administration services	530,442	536,044	570,345	670,714
Operation and maintenance of plant services	753,812	639,626	818,987	937,033
Transportation services	228,501	198,947	263,983	217,188
Community services	-	366	62	505
Central support services	-	-	-	-
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	1,261,098	6,611,465	691,115	-
Long-term debt:				
Principal	341,000	160,000	155,000	150,000
Interest and other charges	354,883	264,392	49,906	36,335
AEA flow-through	304,665	294,328	255,237	234,608
Total	$ 9,024,414	$ 13,686,828	$ 7,650,450	$ 6,917,940

See accompanying independent auditor's report.

Modified Accrual Basis			
2007	2006	2005	2004
$ 1,747,997	$ 1,732,495	$ 1,791,249	$ 2,079,903
193,585	120,922	115,269	114,801
911,391	720,352	806,291	526,166
-	-	-	-
3,217,606	2,965,728	2,877,391	2,939,531
176,392	182,013	188,619	139,367
$ 6,246,971	$ 5,721,510	$ 5,778,819	$ 5,799,768
$ 3,145,279	$ 2,664,094	$ 2,290,311	$ 2,241,483
523,237	510,558	513,911	699,077
712,719	683,449	703,850	621,878
97,881	86,535	83,826	81,454
127,779	51,112	46,994	62,154
613,031	524,665	427,426	478,364
931,840	889,770	433,600	478,149
163,732	163,577	198,957	153,606
-	-	182	-
-		-	650
-	-	13,214	10,199
39,251	123,136	309,573	63,407
145,000	140,000	130,000	130,000
42,280	47,880	52,430	56,245
215,598	205,288	205,149	209,371
$ 6,757,627	$ 6,090,064	$ 5,409,423	$ 5,286,037

Wapsie Valley Community School District

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Grantor/Program	CFDA Number	Grant Number	Expenditures	
Indirect:				
US Department of Agriculture:				
Iowa Department of Education:				
School Nutrition Cluster Programs:				
School Breakfast Program	10.553	FY11	$ 12,321	
National School Lunch Program	10.555	FY11	91,947	*
			$ 104,268	
US Department of Education:				
Iowa Department of Education:				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	84.010	FY11	$ 58,015	
ARRA-Title I Grants to Local Education Agencies, Recovery Act	84.389	FY11	19,044	
			$ 77,059	
Career and Technical Education – Basic Grants to States	84.048	FY11	$ 8,154	
Safe and Drug-Free Schools and Communities – State Grants	84.186	FY11	$ 1,298	
Iowa Demonstration Construction Grant	84.215	FY11	$ 275,000	
Improving Teacher Quality State Grants	84.367	FY11	$ 43,182	
Grants for State Assessment	84.369	FY11	$ 4,557	
ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act	84.394	FY11	$ 111,199	
ARRA – State Fiscal Stabilization Fund (SFSF) – Governmental Service, Recovery Act	84.397	FY11	$ 32,851	
Education Jobs Funds	84.410	FY11	$ 139,945	
Area Education Agency 267:				
Special Education – Grants to States	84.027	FY11	$ 35,679	
Total			$ 833,192	

*- Includes $20,886 of non-cash awards.

Basis of Presentation – The schedule of expenditures of Federal Awards includes the federal grant activity of Wapsie Valley Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Keith Oltrogge, CPA, P.C.

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(319) 984-5292
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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
Wapsie Valley Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wapsie Valley 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 my report thereon dated January 26, 2012. I conducted my 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 my audit, I considered the Wapsie Valley Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Wapsie Valley Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Wapsie Valley Community School District's internal control over financial reporting.

My 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 discussed in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I 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 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. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as items II-A-11 and II-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. I consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-C-11 to be a significant deficiency.

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• American Institute of Certified Accountants • Division for CPA Firms • Private Companies Practice Section

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wapsie Valley Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of non-compliance that is required to be reported under Government Auditing Standards which is noted in Part II-D-11 in the accompanying Schedule of Findings. In addition, I noted certain immaterial instances of non-compliance that are described in Part IV 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 my audit of the financial statements of the District. Since my 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.

Wapsie Valley Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Wapsie Valley Community School District's responses and, accordingly, I 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 Wapsie Valley Community School District and other parties to whom Wapsie Valley Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Wapsie Valley Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Keith Oltrogge CPA PC
Keith Oltrogge
Certified Public Accountant

January 26, 2012

Independent Auditor's Report on Compliance with Requirements That Could Have A Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Keith Oltrogge, CPA, P.C.

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Independent Auditor's Report on Compliance with Requirements That Could Have A Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Wapsie Valley Community School District:

Compliance

I have audited the compliance of Wapsie Valley Community School District's compliances with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Wapsie Valley Community School District's federal programs for the year ended June 30, 2011. Wapsie Valley Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Wapsie Valley Community School District's management. My responsibility is to express an opinion on Wapsie Valley Community School District's compliance based on my audit.

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wapsie Valley Community School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Wapsie Valley Community School District's compliance with those requirements.

In my opinion, Wapsie Valley Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Wapsie Valley Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing my audit, I considered Wapsie Valley Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Wapsie Valley Community School District's internal control over compliance.

MEMBER: Iowa Society of Certified Public Accountants • Minnesota Society of Certified Public Accountants
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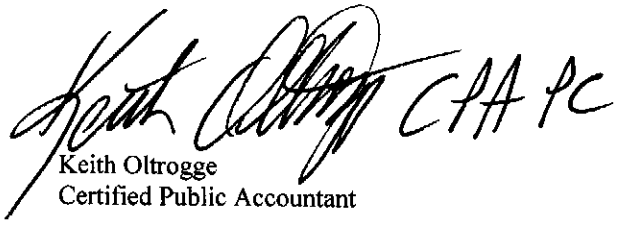
My consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, I identified a deficiency in internal control over compliance that I consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item III-A-11 to be a material weakness.

Wapsie Valley Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Wapsie Valley Community School District's responses and, accordingly, I 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 Wapsie Valley Community School District and other parties to whom Wapsie Valley 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.



Keith Oltrogge
Certified Public Accountant

January 26, 2012

Wapsie Valley Community School District

Schedule of Findings

Year Ended June 30, 2011

Part I – Summary of the Independent Auditor's Results:

a) Unqualified opinions were issued on the financial statements.

b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.

c) The audit disclosed non-compliance which may be material to the financial statements.

d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.

e) An unqualified opinion was issued on compliance with requirements applicable to each major program.

f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

g) Major programs were as follows:

- CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act.
- CFDA Number 84.397 – ARRA – State Fiscal Stabilization Fund (SFSF) – Government Service, Recovery Act.
- CFDA Number 84.410 – Education Jobs Funds

h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

i) Wapsie Valley Community School District did not qualify as a low-risk auditee.

Wapsie Valley Community School District

Schedule of Findings

Year Ended June 30, 2011

Part II – Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-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. I noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation – With the limited number of personnel involved in accounting for District activity, an ideal system of segregation of accounting duties and functions cannot be achieved to assure adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. This is not unusual in an organization of your size. Under these circumstances, the most effective controls lie in (1) the administration's and the Board's knowledge of the District's financial operations and (2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transactions. I believe these controls are being effectively utilized in the District and recommend that diligent efforts be made to maintain their effectiveness.

Response – We will continue to monitor procedures from administrative and Board levels.

Conclusion – Response accepted.

II-B-11 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District's financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is a common control deficiency of most small Districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

II-C-11 Disbursement Approval – For four of twenty disbursements tested, there was no evidence of Board approval.

Recommendation – The District should ensure all expenditures are properly approved. The District should also review the list of bills presented to the Board at regular meetings to ensure all claims are included.

Response – We will ensure all expenditures are properly approved and maintain documentation of the approval.

Conclusion – Response accepted.

Wapsie Valley Community School District

Schedule of Findings

Year Ended June 30, 2011

INSTANCES OF NON-COMPLIANCE:

II-D-11 Interfund Loan – The District entered into Interfund receivable and payable of $149,187 between the Physical Plant and Equipment Levy and the Capital Projects (Lost), which appears to be an Interfund loan/borrowing, that may not be in compliance with a revised Declaratory Order issued by the Iowa Department of Education dated October 22, 2010.

The Declaratory Order requires that Interfund loans be repaid by October 1st of the fiscal year following the loan origination date, interest to be charged to the borrowing fund based on rates pursuant to Iowa Code section 74A.6, and a resolution approved by the Board of Education stating from which fund and to which fund the transfer will be made. It appears that the District did not comply with these requirements.

Recommendation – We recommend that the District proceed under the provisions of Iowa Code Chapter 74 to issue anticipatory warrants or seek approval of the voters pursuant to Iowa Code Section 278.1(5).

Response – The District in working on repaying the loan and will proceed with measures to become compliant.

Conclusion – Response acknowledged. Since the District is in apparent non-compliance with the Declaratory Order, the District should proceed under one of the remedies provided in the Declaratory Order.

Wapsie Valley Community School District

Schedule of Findings

Year Ended June 30, 2011

Part III – Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
Federal Award Year: 2011
US Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.397: ARRA – State Fiscal Stabilization Fund (SFSF) – Government Service, Recovery Act
Federal Award Year: 2011
US Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.410: Education Jobs Fund
Federal Award Year: 2011
US Department of Education
Passed through the Iowa Department of Education

III-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. I noted that the cash receipts listing, bank deposits and posting of cash receipts to the cash receipts journal were all done by the same person.

Recommendation – With the limited number of personnel involved in accounting for District activity, an ideal system of segregation of accounting duties and functions cannot be achieved to assure adequate internal control over the safeguarding if assets and the reliability of financial records and reporting. This is not unusual in an organization of your size. Under the circumstances, the most effective controls lie in (1) the administration's and the Board's knowledge of the District's financial operations and (2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transactions. I believe these controls are being effectively utilized in the District and recommend that diligent efforts be made to maintain their effectiveness.

Response and Corrective Action Planned – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

Wapsie Valley Community School District

Schedule of Findings

Year Ended June 30, 2011

Part IV - Other Findings Related to Statutory Reporting:

IV-A-11 Certified Budget - Expenditures for the year ended June 30, 2011 exceeded the certified budget amount in the instruction function.

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

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

Conclusion – Response accepted.

IV-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.

IV-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.

IV-D-11 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

IV-F-11 Board Minutes – As previously noted, four disbursements requiring Board approval had not been approved by the Board as required by Chapter 279.29 of the Code of Iowa.

Certain minutes were not published as required by Chapter 279.35 of the Code of Iowa.

Recommendation – All disbursements should be approved by the Board. The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response – All disbursements will be approved by the Board. Procedures have been revised to ensure minutes are published as required.

Conclusion – Response accepted.

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

IV-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-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.

IV-J-11 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

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

IV-K-11 Student Activity Fund – The Student Activity Fund includes an account which should have been reclassified by a residual equity transfer in prior years in order for the fund to conform to U.S. generally accepted accounting principles in accordance with Chapter 257.31(4) of the Code of Iowa. This account is identified as "Music Trust". This should have been closed or reclassified prior to the fiscal 1997 GAAP conversion and should be corrected by the District. According to the Department of Education, the District should be accounting for this in the General Fund or should assign the proceeds to a specific activity.

Recommendation – The District should make a corrective transfer to account for this in the General Fund or another activity.

Response – We will review this account and reallocate where necessary to other proper activities.

Conclusion – Response accepted.

IV-L-11 Deficit Balances – The Student Activity Account had one deficit account at June 30, 2011. The Nutrition Fund had a deficit fund balance of $12,698.

Recommendation – The District should continue to monitor this situation and investigate alternatives to eliminate these deficits in order to return the accounts to sound financial conditions.

Response – We are working on this.

Conclusion – Response accepted.

IV-M-11 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The District will obtain and retain images of both the front and back of cancelled checks as required. The District can go on line at any time and see/print the back side of any check.

Conclusion – Response accepted.

Part IV - Other Findings Related to Statutory Reporting (continued):

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

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

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

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

Conclusion – Response accepted.

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, service 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		$ 470,132
Revenues/transfers in:		
Sales tax revenues	$ 399,825	
Other local revenues	6,609	
School infrastructure supplemental amount	80,574	487,008
		$ 957,140
Expenditures/transfers out:		
Transfers to other funds:		
Debt service fund	$ 439,958	
Other transfers	600	440,558
Ending balance		$ 516,582

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423 E or 423F of the Code of Iowa:

	Per $1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	$ 2.39834	$ 480,399
Physical plant and equipment levy	-	-
Public educational and recreational levy	-	-

Part IV - Other Findings Related to Statutory Reporting (continued):

IV-P-11 Revenue Bonds – The District has not established the reserve account required by the revenue bond resolution. In addition, the required monthly transfers from the revenue account to the sinking account were not made by the District.

Recommendation – The District should establish the reserve account in the amount required and make the monthly transfers to the sinking account required by the bond resolution.

Response – We will establish a reserve account and begin making transfers to a sinking account.

Conclusion – Response accepted.